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JPRS L/9052

22 April 1980

West Europe Report

(FOUO 19/80)



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WEST EUROPE REPORT

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COUNTRY SECTION

FEDERAL REPUBLIC OF GERMANY

EX-GENERAL SAID TO OFFER ARMS TO SYRIA, IRAQ, LIBYA, SAUDI ARABIA

Hamburg STERN in German 28 Feb 80 pp 230-233

[Article by Wolfgang Barthel and Mario R. Dederichs: "NATO Standard for the Desert"]

[Text] In spite of the official stop of deliveries, the former army inspector Albert Schnez is planning rearmament in the Near East.

During his time of active duty in the military, the German General Albert Schnez frequently caused a whirl. In 1967 NATO partner Holland protested against the former Hitler general being appointed supreme commander of the NATO forces in Central Europe. Schnez had to give up the post.

As inspector of the army, he warned 2 years later in a study of the internal leadership of the Bundeswehr against a "loafer army without history." He wanted to prescribe a "fresh and cheerful spirit" for the troops by means of "strengthening the authority of the superiors."

Today the top officer, who retired in 1971, is able to concern himself with armies which are more nearly in keeping with his concept of military virtue. On behalf of the truck builder and military vehicle specialist Magirus-Deutz in Ulm (MD) he has drawn up a plan "for the formation, armament and equipping of independent mechanized brigades" for the army of Saudi Arabia. The proposals of the MD consultant, enhanced on 40 pages with technical drawings, have one imperfection: They stand in sharp contrast to the doctrine of the FRG government to make no weapons deliveries or extend any kind of military aid to any area of tension. And the Near East is still one of the greatest areas of tension.

The Schnez concept is to enable the desert state not only to defend its frontiers and oil fields, but also launch "quick and far-reaching" attacks ("Blitzkriege") and engage in "the struggle against subversive elements." Schnez described his work to STERN as: "An almost business process." It is by no means a coincidence that the ex-general in his detailed study also states what firms, in his view, could furnish the best vehicles and weapons--German ones, of course:

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--As anti-aircraft cannon he recommends the 20 millimeter twin guns of the Rheinmetall GmbH in Duesseldorf (Cost: DM 475,000 apiece).

--As anti-aircraft rocket he offers to the Saudis the German-French joint product "Roland," which is produced at Messerschmidt-Boelkow-Blohm (MBB) in Munich (DM 10 million).

--For antitank warfare he is plugging the Milan-rocket, manufactured by the same company (DM 117,000).

--In connection with the acquisition of helicopters, 40 per brigade, he recommends the MBB-model BO 105 (DM 3.17 million).

For everything else--tank and troop transport vehicles, cross-country and mountain vehicles, camp kitchens and repair trains, minelayers and ambulance cars--there is, according to Schnez, only one supplier: "The comprehensive military program of Magirus-Deutz covers the needs for all operations."

Its "robust vehicle types with air-cooled Diesel propulsion," he claims, are just about ideal for the "frequently desert-like stretches under extreme temperature conditions." Special advantage: "No costs for frost protection devices." If Saudi Arabia plays along, this would be a billion dollar deal for Magirus-Deutz. In his military market analysis, the ex-general recommends 461 vehicles per brigade. In addition, the helicopter group of each brigade would be supplied by 92 special vehicles on the ground. It goes without saying, according to Schnez, that all vehicles meet NATO standards--from time immemorial an enticing sign of quality for arms buyers in the Middle East. Magirus-Deutz, after all, has "Years of experience from close cooperation with German Bundeswehr and foreign armies"--and, what is more, "in peace and in war."

The general ret., who in spite of his 68 years is still nimble, is not only working for Magirus-Deutz. In July of last year, he probed the possibilities for selling MD vehicles locally in Syria. In his talks with Defense Minister Mustafa Tlass and his general staff, he ascertained that the Syrians are "not satisfied" with their Soviet vehicles. Schnez hopefully: "The need of the Syrian armed forces will go into the tens of thousands during the next few years." He advises his employer: "Have the courage to take a risk, otherwise we would lose a possible, very big deal."

Arms deals also played an important role in the small Frankfurt advising firm "Consolidated Planners Enterprises" (CPE), with which Schnez already came into contact as MD-recruiter. Its business manager, Hassan M. Zaher, a native Lebanese, not only made Oriental contacts for the Ulm enterprise in regard to the manufacture of trucks under license. He also negotiated with the MD-subcontractor and manufacturer of electric products Karl Starz from Goeggingen concerning deliveries to the Near East. According to a note in CPE files, Zaher offered infrared sights and tank electronics for the Syrian army, "kept ready" by Starz. Starz, on the other hand, asserts: "I have never in my life had anything to do with weapons and armament affairs."

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In Zaher's correspondence the offer of armored vehicles turns up for Libya, paratroop equipment for Iraq, and equipment for a uranium enrichment plant capable of producing an atomic bomb, again for Libya.

There was also a promising start in negotiations for high-carat shooting equipment: businessmen from Zurich approached Zaher enquiring whether he was interested in selling 300 battle tanks of the type Leopard I at the price of DM 3 million apiece (normal price: DM 1.7 million) to the kingdom of Saudi Arabia. Dozens of teletype communications file notes document that in response the CPE became very active. Its contacts reached all the way to the chief of the Saudi National Guard, Prince Abdullah bin Abdul Asis. After all, there was the prospect of a 5-percent commission for the sale of the "garden houses"--the cover name for the Leos (Leopards).

At the end of 1979 the lively correspondence broke off, after the negotiation partners from Riad made it clear that they wanted the deal only on an official basis. However, the assent of the FRG government is as unattainable for the CPE as the moon.

When the tank dream fizzled, Zaher's minifirm also acquired a consultant: ex-general Schnez. He agreed to work simultaneously for the CPE and its head company, the London-based catering firm "Albert Abela International," for DM 5,000 a month plus traveling expenses. The Lebanese businessman Abela made headlines in 1975 in Germany because he honored the Frankfurt SPD with a "Quiet contribution" of DM 200,000 and soon afterwards became the lease-holder of the underground garage of the Rhine-Main Airport. Schnez was to receive "the specific suggestions for his going into action" from this very Abela and from the Frankfurt attorney Wolfgang Heiermann, according to his consultant contract.

According to his own deposition, however, the former army inspector has never heard anything about the attempt to sell the Saudis 300 "Leopard" tanks. Schnez declares: "We are not interested in tanks."

Hassan Zaher takes the same line. He claims that he never really wanted to sell tanks. Zaher told STERN: "I wanted to put one over on the people in Zurich and only pretended to agree to the offers."

And attorney Heiermann, passed off as chairman of the advisory council, declares in lieu of an oath: "I provided the firm with legal counsel. The business management was not in my hands."

Why he turns up as the partner being addressed in numerous teletype communications concerning "garden houses," he can explain only on the basis of dark intrigues: "I suspect the teletype machine of our firm has been misused."

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But there was also a direct meeting between Heiermann and Zaher's Swiss contact men at the end of 1978 in Zurich's prestigious Hotel Baur au Lac. One of the participants, who got out of the transaction at that time, recalls: "There Mr Heiermann spoke loudly of tanks and commissions."

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COUNTRY SECTION

FEDERAL REPUBLIC OF GERMANY

ECONOMETRIC PREDICTION FROM SPRING 1980 TO SPRING 1981

Hamburg CAPITAL in German Mar 80 pp 10-11

[Text] Economists in the United States and West European countries have long taken it as a matter of course: Now their colleagues in the Federal Republic also are often compiling predictions by means of econometric models. This procedure consists in transforming the behavioral patterns of business, consumers and the state into mathematical equations. The computer calculates the results of the economic partners actions. Dr Rainer Rau, Essen economist, produced the following CAPITAL forecast in accordance with this method and by using the well tested RWI business model. Various major German firms are among his clients for the full figures. The institute's predictions are affected but not dictated by the results of the model computation.

Growth: Less Than Planned

Actually Franz Josef Strauss, chancellor candidate of the Union parties, ought to have an easier time than any of his predecessors. In earlier Bundestag elections the challengers were always compelled to take the field in times of good business; current forecasts for 1980 assume that this rule will be broken for the first time. The campaign for the chancellor's job is getting under way at a time when the economy is cooling quite noticeably: Unemployment is on the rise; following 4.4 percent growth last year the economy is now growing by only 1.5 percent. A first glance at 1981, though, shows that the upward trend is likely to resume then with somewhat greater vigor.

The Federal Government still refuses to acknowledge that the "dent in the 1980 economic growth" (to quote Essen economist and econometrist Dr Rainer Rau) is real. In his annual economic report, for example, Economics Minister Otto Graf Lambsdorff forecast "at least 2.5 percent growth." Admittedly Lambsdorff was compelled to fall back on events in distant Afghanistan to justify this target: Consonant with the old Marxist-Leninist doctrine, the increase in defense budgets coupled with higher arms expenditure would stimulate demand. Fearing a crisis consumers would be likely to hoard and business firms acquire larger stockpiles while more quickly completing export orders.

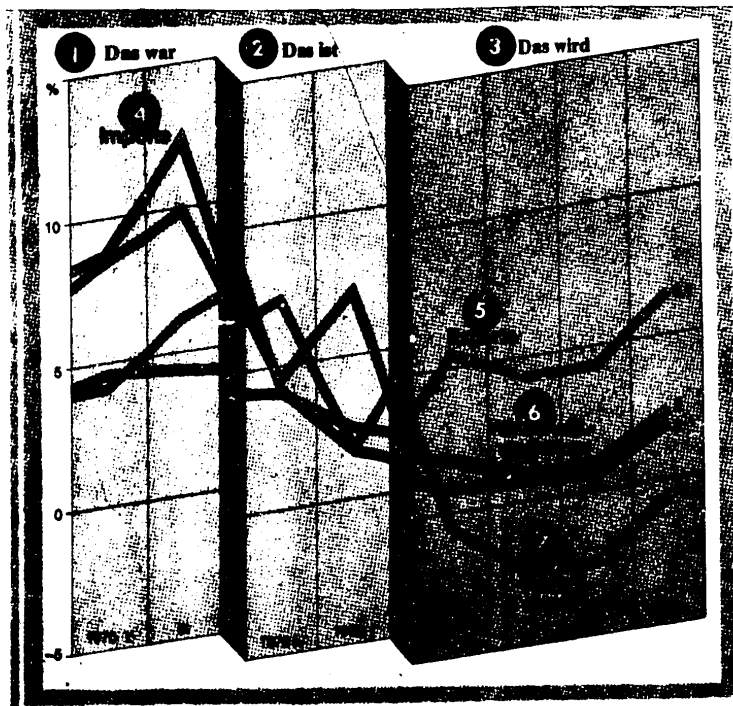
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However, according to Rau, the additional impetus will at best offset the adverse effects. Firms involved in the Eastern business, for example, will tend to be more cautious because boycott measures against the USSR cannot be excluded. And many months will pass before the increased defense efforts translate into **greater** arms purchases. Hans Apel, Lambsdorff's opposite number in the Defense Department, is unable immediately to decide where the additional expenditure is to go.

It follows that the course of business is decided by consumer expenditure (which is growing by only 1.5 percent in real terms) and the stagnating demand of corporations for machines, capital equipment and buildings. This will hit the construction industry in particular, which enjoyed exceptionally favorable conditions in recent years. Nor will any impetus be given by stockpiling which, in 1979, contributed 25 percent to growth. Foreign demand also is far from being as strong as last year, though a 4 percent increase has been reported, and that will still suffice to stimulate higher output. However, should oil prices move upward once more, the risk of a reverse may be expected for exports also. Every worsening of the situation increases the electoral chances of chancellor aspirant Strauss.

Graph 1--Real Percentage Changes Compared to the Same Quarter of the Previous Year



[Key on following page]

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Key:

- | | |
|-----------------|----------------------------|
| 1. That was | 5. Exports |
| 2. That is | 6. Economic growth |
| 3. That will be | 7. Fixed asset investments |
| 4. Imports | |

That Will Be in 1980

Real Percentage Changes Compared to 1979

Economic growth	1.5
Fixed asset investments	- 0.1
Exports	4.0
Imports	0.9

Prices: Unchecked Upcreep

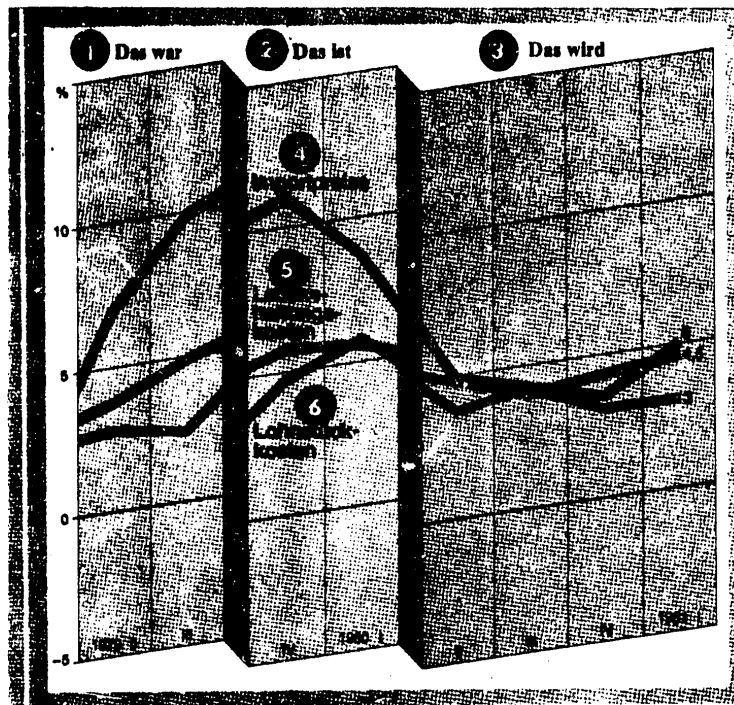
It will depend on the oil producers whether the economists price projections are correct. If the sheiks confine themselves to raising their oil prices no higher than the export prices of the industrial countries, the average rate of inflation is likely to range from 4.5-5 percent. In that case the inflationary upcreep would slacken in the Federal Republic also in the course of this year. It now seems unrealistic to expect the figure "3" to appear before the decimal point (as was forecast 6 months ago), even if the prediction by Saudi Arabian Minister Yamani were to prove correct, according to which oil prices will weaken. On the other hand, should the Saudis carry out their threat of once again raising the price of their No 1 export product, they would initiate another round of increases worldwide, at the end of which commercial firms and private consumers in the Federal Republic also would have to pay more for gasoline, petroleum and heating oil. Prices would then rise even faster.

Income: More Purchasing Power

Despite meager economic growth and a sharp rise in the cost of living--blue and white collar workers and public servants are likely to come out ahead when the balance sheet is drawn up in 10 months time: After deduction of taxes and social security contributions their wages and salaries are rising by an average of 6.4 percent. In fact the rise in income will in many cases exceed this percentage, because the average value is depressed by more short-time working (as in the car industry) and less overtime than last year. Inflation swallows more than two thirds of the general wage hike, but at least 1.5 percent additional purchasing power remain below the line of the income computation. That is by no means a matter of course, as we see demonstrated in the American example: In 1980 the standard of living of U.S. citizens will decline.

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Graph 2--Percentage Changes Compared to the Same Quarter of the Previous Year



Key:

- | | |
|-----------------|--------------------|
| 1. That was | 4. Import prices |
| 2. That is | 5. Cost of living |
| 3. That will be | 6. Wage unit costs |

That Will Be in 1980

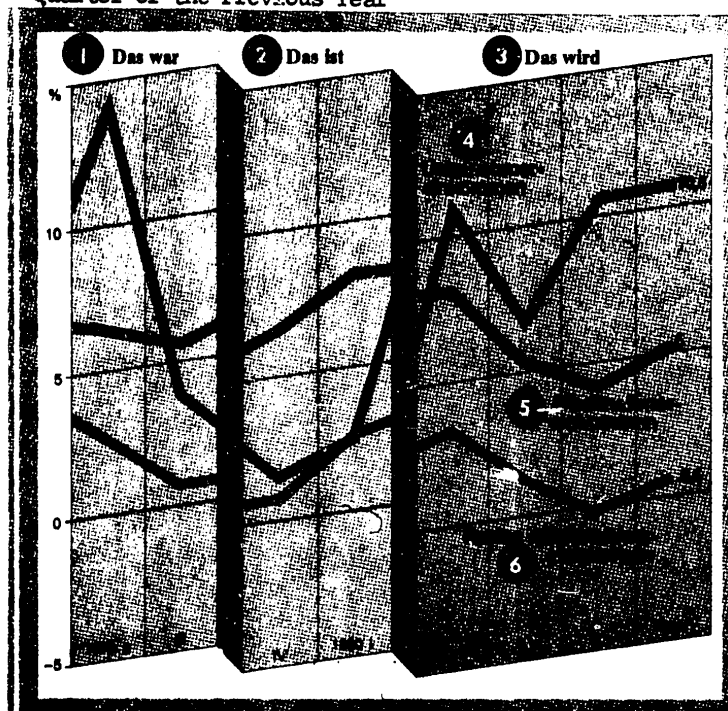
Percentage Changes Compared to 1979

Cost of living	4.7
Import prices	5.3
Wage Unit costs	4.2

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Graph 3--Percentage Change of Net Wages and Salaries Compared to the Same Quarter of the Previous Year



Key:

- | | |
|-----------------|-------------------------|
| 1. That was | 4. Corporate income |
| 2. That is | 5. Employee income |
| 3. That will be | 6. Real employee income |

That Will Be in 1980

Percentage Change Compared to 1979

Employee income (net)	6.4
Real employee income (net)	1.7
Corporate income (net)	7.9

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COUNTRY SECTION

FRANCE

MARCHAIS' PRO-SOVIETISM FEEDS DISSENT WITHIN PCF RANKS

Paris LE NOUVEL OBSERVATEUR in French 18-24 Feb 80 p 28

[Article by Georges Mamy: "When Georges Marchais Normalizes His Party"]

[Text] In December 1978 the 400 communist intellectuals gathered at Vitry by the PCF leadership still expressed themselves with a certain freedom of thought. At least a few among them who discussed the idea of "positive balance sheet" as applied to the East bloc could observe that anticommunism was born as well from "shortcomings of socialism as it is" (meaning the East) or question the functioning style of the Party and the so-called virtues of democratic centralism. Even L'HUMANITE honestly reflected these criticisms.

This simple recall allows us to measure the road that has been covered in reverse gear by the PCF: at Bobigny where the leadership called together, last 9 and 10 February, a national meeting devoted in principle to the questions of intellectuals and culture, there was only one intervention--by the television director and labor unionist Jean-Pierre Marchand--expressed at the forum regarding some of the disagreements advanced by militant "critics." The latter were not there for the simplest of reasons: they had not been invited.

There Are Questions and Questions

One can thus say that in the eye of Georges Marchais the interlude of questioning communist intellectuals is or must have been over. Was it not also the entire meaning of the closing speech by the PCF Secretary-General? "Hardening of the line, alignment, isolation, etc." he protests, "these are all so many caricatures of our policy used by the capitalists and the social democrats in trying to deceive the Frenchwomen and Frenchmen about us." Yet...

The facts are there that Marchais has declared an end to all the discussions which, born out of life, continue to come to the fore. He has even resorted, no doubt in the intention that it be well understood that nothing more will be tolerated, to the classic process whereby the theses that need to be

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disqualified are radicalized. For instance, he has come up with the following two prohibitions: "One cannot in the name of the 22nd and 23rd congresses recommend an all-out reconciliation with the social democrats... One cannot ask for a breakup with the Communist Party of the Soviet Union." Yet until this day one has heard only that the communist critics advocate nothing more than the safeguarding of a necessary union with the socialists and wish simply for a true independence of judgement in dealing with the Soviet Union.

The question, however, is to contravene, to prohibit if possible, all that runs counter to the main line. Swept away, then, in the same process the charges of "workerism" launched against the attitude of the leadership by Henri Fiszbin and some others. Cut short, then, the reflections on the role and content of the working class and on its relationship with the intellectuals. Would it not be proper, in these troubled times, to put thought in hibernation? One can be led to think so as one reads this peculiar cautioning by Guy Hermier: "There are questions and questions, just as there are dreams and dreams. If the questions are not the instruments of thought, which knows for certain, and of action, which transforms, then they are simply sterile scepticism, a sort of morose resignation, the acceptance of received ideas as well as the acceptance of the present state of things." What is then this "thought which knows for certain" and which, fantastic privilege, even takes precedence over the questions? Is it the thought of the leadership? Most likely.

Georges Marchais and the Politburo cannot, however, ignore the fact that a return to the most straightjacketed behaviors of yesterday has done tremendous damage in the Party and around him also. His "image" which Marchais had done so much to soften, to make more human, more civilized, suddenly is found again with the wrinkles of yesteryear. Not only has the personal prestige of the Secretary-General slumped in the last temperature taking by the FIGARO (17 percent favorable instead of the 24 percent one month before), but also the opinion of the French people has also brutally gone down according to the same study: 18 percent only of the people interviewed said that they have a "good opinion" of the Party (as against 27 percent the month before and... 41 percent in July 1974); 70 percent have a "bad opinion" (as against 59 percent in January and 46 percent in July 1974). A record, no doubt.

The grassroot group in the PCF, however, accepts quite well this new avatar and responds positively to the appeal to "party patriotism" and even to a "courageous" fight at the scale of a "world conflict between good and evil." This has been observed. It is even a confirmed fact. But by the same token the zone of those who do not understand and sometimes refuse to understand gets larger and larger: this may be the most novel fact. How can these two contradictory movements coexist? The testimony of a young teacher in the Lyon region may help us to understand.

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Class Against Class

"It is horrible, what we are going through," she says, explaining that she has "never seen such a thing." The German-Soviet Pact, Titoism, Hungary, etc. all that was history to her. "In my cell, everyone, yes everyone, was for condemning the [Soviet] intervention in Afghanistan. But then they made such pressure upon us--the Party, they say, is being attacked, one must defend it, etc.--that we all ended up signing the petition denouncing anticommunism. Me too..." Thereafter, not so happy with herself, she went out "mass selling" L'HUMA-DIMANCHE in the corner HLM's, ready to be "thrown out." "Well, not at all. The reception was very good. The doors opened. Because things were going so bad for them: the cost of living, unemployment, and all. The Party, for them, it was not Afghanistan. It was just simple folks like them and who stand up for them."

Nonetheless, the malaise spreads just the same. The cases of refusal to sign the defense petition in favor of the Party (which also brings with it the acceptance of the official thesis on Afghanistan) are no longer rare. Yet the pressure is no longer done in roundabout fashion: "So you are not agreeing with the Party line?" the hesitants are asked. A difficult question to answer by Yes or No as long as one still wants to be a communist.

On the other hand, the movement in favor of the other petition--the petition originally called "of 100"--which asks for the maintenance of the alliance with the socialists grows larger: there are nearly 20,000 now--communists, socialists, labor unionists, independents--who have signed it. Sometimes a whole "union" municipality signs, like the one in Greasque (Bouches-du-Rhone), or a "collective" is formed, like the one in Bordeaux...

Georges Marchais has chosen to ignore, to deny, to fight or to brave these turbulences and these movements. But he must take a good measurement of the risks involved since he has not found any other method to conjure them away except by bolting up all hatchways. Just like the time of the fatal "class against class" tactics.

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COUNTRY SECTION

FRANCE

RPR FAVORS HEAVY LAUNCHER, ORBITAL STATION

Paris AIR & COSMOS in French 8 Mar 80 p 42

[Article by Pierre Langereux]

[Text] On 14 February the RPR [Rally for the Republic] in Strasbourg, before the representatives of the DIFE [Defense of French Interests in Europe] presented three proposals concerning the future European space program and French participation in this program.

"The development and commercialization of the Ariane family of launchers and the construction of a second launch facility in Guyana, the accelerated study of a heavy automated orbital station, and the preparation of a heavy launch vehicle for the 1990s." These are the bases for the future European space policy advocated by Andre Turcat in the name of the RPR.

Andre Turcat, responsible for advanced technology issues within the RPR, stated that "a major meeting on the orbital station should be organized without delay, going further than the modest studies of principle now in progress." The famed Concorde test pilot thus referred to the CNES [National Center for Space Research] studies and those done by French industry concerning the MINOS project for an automatic orbital station designed to be used to produce equipment in a zero gravity environment.

Concerning the use of the present European launch vehicle, Ariane, Andre Turcat pointed out the need to build a second launch pad in Kourou, in order to survive competition from the Shuttle. As for the development of new, more powerful Ariane 3 and 4 versions of the launch vehicle, he said that the RPR proposes "to move forward and to make industrial decisions" to produce these new versions.

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"It would also be the course of wisdom," said Turcat, "for Europe to be concerned, starting now, with its future independence, and Europe should undertake the study of a heavy launch vehicle." He proposed that "the first contracts for studies should be awarded by the Community starting in 1980 for the first high power stage of the launch vehicle." It is in fact planned that a later phase of the Ariane family will lead to a high power Ariane 5 launch vehicle, capable of placing 10 tons in a low orbit; this launch vehicle is essential for the launch of the orbital station (see AIR & COSMOS Nos 769 and 795).

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COUNTRY SECTION

FRANCE

SDECE WEAKNESSES EXAMINED, CAUSE OF 'CRISIS' SOUGHT

Witch Hunt

Paris AFRIQUE-ASIE in French 3 Mar 80 pp 19-20

[Article by Amadou Ba]

[Text] At the Foreign Intelligence and Counterintelligence Service (SDECE)--the French CIA--those in charge continued to move in waltzing time, giving an age old indisposition the appearance of a permanent crisis*. The latest victim to date was Mr Laugere, chief of the internal security service of the SDECE and an agent of the French Special Services since their creation in 1946, who has recently been replaced by a constabulary (gendarmerie) squadron leader, Jean-Michel Verniere, a former marine N.C.O.

However, this appointment of a man trained outside the palace walls, so to speak, tops off a series of major replacements. After the departure of Gen Jeanou Lacaze, director of research who was subsequently supposed to organize the 11th division of the overseas parachutist invasion force), in 1977, then the barracks of Boulevard Mortier, in Paris, witnessed the leave-taking of Didier Faure-Beaulieu, chief aide of the director General of the SDECE in 1978, and of the man in charge of the administrative and financial services. In their place, Gen Alexandre de Matenches--boss of the organization since he became "militarized" in 1970--appointed Michel Roussin, a young deputy-mayor and Gen Rene Candelier, who was the deputy-director of military security (the army's internal intelligence service).

The departure of Col Bernard Schenk, who succeeded Gen Yves de Janvry at the head of the counterintelligence service, was also accompanied by the recent loss, for the SDECE, of an officer regarded by the few independent or "liberal" agents still at their posts as one of the promoters of the witch hunt launched in the past few years at the very core of the organization. In cooperation with the Territorial Surveillance Service (DST) and military security (SM), and based on an "internal security service," enjoying almost discretionary powers, the colonel,

* Cf "AFRIQUE-ASIE", No 204, "Corruption and Bamboozling."

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concentrated his investigations particularly on the civil agents of the Radioelectric Control Group (GCR). This service has 300 [sic] employees specialized in listening to intergovernmental communications.

The year 1976 was especially troublesome. There was the illegal arrest of an SDECE employee, who was coerced by the use of force to make certain confessions; a "death by hanging" in the SDECE office in Berlin of an agent of the GCR, known as a militant of the General Confederation of Labor (CGT); the suicide of two other agents of the GCR, in the south of France, after having undergone exhaustive investigation and been the object of a great deal of pressure.

It must be acknowledged that the GCR agents--who were about to be integrated into the cadre of fully qualified SDECE personnel, to which body they had just been attached--often rued the loss of the rights to which their position entitled them. Nevertheless, it came about that they suddenly lost, in one single fell swoop, the right to strike and the possibility of organizing unions, and will be subject, henceforward, to prior authorization or to the obligation of rendering account for the duration of the stay, in the event of trips abroad. It may even occur that sometimes, friends or family have been sufficient to arouse the curiosity of the internal security service of the SDECE.

The "house" seems to have suffered a great deal from this inquisition led by men who most often have a very "atlantic" concept of information, and wish to eliminate definitely from the SDECE personnel any agents connected with the leftwing or with the Gaullist current of ideas. The main representatives of the service on the African Continent have not escaped the axe. Within some years, about 20 offices have been "swept out," leaving none of the Foccart-like elements. (This designation stems from the name of the former secretary general for African and Malgache affairs under General de Gaulle, one Jacques Foccart).

A Series of Smudges

This climate weighted against the quality of the services rendered by the agents. Whereas the SDECE network in Africa was known for the excellent quality of its information--due to an old established and well rooted unit--a part of the leadership, headquartered in Paris, formed the habit of "recasting" the analysis syntheses, or the agents' intelligence memoranda, in order to make them conform better to their own vision of the continent.

This over-simplification in interpretation--which, for example, transforms any manifestation of non-tribal nationalism in Africa into a conspiracy where the "hand of Moscow" must inevitably appear--was sharpened by an equally old tendency in the service to back openly certain countries esteemed by Paris as being the only sure "pro-French" regimes.

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From this standpoint, the basic mission of the agents was to provide intelligence for the French Government regarding the loyalty of the teams on the spot, to replace the local intelligence services deemed, a priori, to be weak (and, what is more, very often incited by French cooperators!) and, from these countries, to keep an eye on others considered dangerous to Western and French interests (such as Ethiopia, Angola and Algeria).

The series of mistakes occurring over the past few years have redounded to the creation of serious doubts about SDECE and even queries in the minds of the SDECE personnel. Thus, even if they were not officially authorized, the adventurous operations in Benin (January 1977) and the Comoro Islands (May 1978) could not have been executed without some form of discreet support from the upper echelons of the SDECE in Morocco or in Gabon. Each time, they were led by the mercenary Bob Denard--a man to whom the organization had recourse for instance in 1975, when he was "lent" to the CIA to help in establishing support for the National Union for the Total Independence of Angola (UNITA)--Jonas Savimbi's movement, backed by South Africa, and which has resurfaced, giving back-to-back interviews, one in Rabat and the other on Portuguese television.

However, the service has other failures on its conscience. Had they really foreseen the rise to power of Hissein Habre in the Chad and the resurgence of a civil war which would throw him into opposition against Malloum, all of it winding up in a climax involving the enthronement of Goukouni Queddei as the principal leader of the Chadian National Liberation Front (FROLINAT)? Since the SDECE was so well established in Zaire, how did it not have a presentiment about the second Shaba uprising in May of 1978? Why allow the French Government to go on believing that Morocco and Mauritania--by virtue of assistance from Paris--could easily achieve their ends with the Sahel people?

The disastrous development of "Emperor Bokassa's" regime weighs equally heavily on the French service's reputation.

Did they know what was going on? If they did, then why did they not take action? And if they did not know, then what is the use of the intelligence service?

A sign of the time, the intelligence necessary for executing operation "Barracuda"--which should have assured the rapid dethronement of Bokassa last September and his replacement by a man of identical stamp--was principally gathered by the Scientific and Technical Research Group (GEST), an intelligence service recently created by the army. As if for such grave undertakings, they could no longer rely on the SDECE henceforward!

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Underground Laboratory

Paris AFRIQUE-ASIE in French 3 Mar 80 pp 19-20

[Text] The foreign documentary and intelligence service of the SDECE is merely another of the French intelligence and clandestine action agencies, on the same footing as the Directorate of Territorial Surveillance (DST), the General information (RG), the Military Security branch (SM) or the General Secretariat for national defense (SGDN). However, its 2,000 civilian and military agents are especially assigned to work on or in foreign countries and particularly in Africa.

Headquarters for the SDECE is a barracks on the Boulevard Mortier in the 20th arrondissement (borough) of Paris. The locale--christened "the swimming pool" by the agents--also includes an underground "operations room" which is connected to similar installations at the Defense ministry and at the Elysee Palace (President's office). Withal, the service also has an "action" base at Cercottes, near Orleans (location of the major airports of the military air transport command), as well as centers at Alluets-Feucherolles (Yvelines) and Velaine (Meurthe-et-Moselle), and a listening station at Domme, in Dordogne.

The Radio-electric Controls Group (GCR), where there are five hundred agents specially trained in decoding inter-governmental communications, was brought into the SDECE in 1970. These various installations are now being modernized, new intelligence handling equipment is being added, as well as facilities for satellite liaison tapping.

The law governing the SDECE remains mystifying. The decrees defining its missions are regarded as "national defense secrets" and have never been published. Each year the congressmen have the greatest difficulty in deciphering the budget for this agency. For instance, for 1980 it is 226 million French francs and--as in previous years--it is increased more rapidly than any of the other military expenditure, which in their turn power quicker than civilian outlays. However, 116 million French francs lifted from the "special funds" of the prime minister's also appear to be designated for the service in 1980, it being the government's aim to finance the agency for 1 or 2 years in advance, in order to enable it to face any prolonged crisis and to have the means of developing its clandestine action.

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COUNTRY SECTION

FRANCE

GOALS, WORK OF DEFENSE RESEARCH CENTER EXAMINED

Madrid DEFENSA in Spanish No 22, Feb 80 pp 55-57

[Article by J. L. Madoz: "The Defense Research Center of Toulouse, France"]

[Text] Velazquez House, a magnificent mansion of the university campus whose sorrowful ruins those of us who had come to study in Madrid in the 1950's recall very vividly, was the location of our appointment. We had not seen Velazquez House since it was rebuilt and for that reason we had kept alive the picture of blown-off roofs, a floor littered with rubbish and weeds, and some walls on which soldiers had scribbled warlike symbols and expressions. But now there remained not the slightest trace of all this. Only, in the janitor's quarters, there was a fairly bad picture where a young painter had wished to depict what the harsh battle lasting 3 years for Spain's capital had done to Velazquez House. Today the building is as clean as if nothing had happened to it and only an alert eye can perceive in some spots the restoration of the large tears produced by shrapnel.

In a quiet room Prof Lucien Mandeville and his colleagues Rene Quatrefages and Henri Fontana were waiting for me. Besides being the general secretary of the University Association for Defense Research, Lucien Mandeville is also the director of CERA (the French acronym for Defense Study and Research Center) established in 1974 within the Institute of Political Studies of Toulouse. As for the other faculty mentioned they are two young but very distinguished French scientific personalities specialized --surprisingly enough--in Spanish military affairs. For example, Quatrefages had already organized at Velazquez House 3 years ago an interesting seminar on "The Military and Power in the Iberian World," is the author of an extremely noteworthy book on the Spanish army, and is engaged in writing now a book entitled "Spain in the 16th Century, An Exemplary Military Society." As for Henri Fontana, who has published extensively in the field, his work on "The Modern Spanish Military System" is far advanced and promises to be extremely interesting.

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Parallel Evolution

The dedication of these men, shaped in the final and voluminous book entitled "Reconnaissances du Systeme Militaire Espagnol" which they have just published jointly with other authors, would already by itself be sufficiently newsworthy, but another interesting fact is added to this one: The close cooperation which they are developing so that French-Spanish relations may cut new ground--that of university-level military studies. This is something which at this time is more than a desire; it is a concrete reality, crystallized in the projects that I have just outlined as well as in a series of meetings, personal contacts, joint projects, and personal exchanges between the two peoples. And it is not surprising that, on the French side, the driving force should be in the University of Toulouse since, addressing himself to it, President Valery Giscard d'Estaing expressed the desire that its fundamental goal be to get closer to Spain and the Mediterranean. This is a goal which, as far as the first part is concerned, is being fulfilled to a tee.

"Our interest in military affairs," Prof Mandeville began by telling me, "dates back to the early 1970's when, on hearing the nonsense being spoken about the army and the need to probe deeper in a scientific way in this important field, we decided to give it the attention that it deserved. We focused on Western armies because Western society is homogeneous and produces uniform military systems whereas the countries of the East, given that another type of society is involved, have armies based on very different concepts from what we have here and therefore are not comparable. It is logical that by this means we should in very short order have reached the point of taking an interest in Spain where, through a movement parallel to that in France, studies in military sociology had been introduced for the first time at the Naval War College and the Advanced War College by Gen Cabezas Calahorra. We organized an international colloquy which was the first of its type in which a Spanish representative participated, specifically General Allendesalazar. After this, our Center and the CESEDEN [Higher National Defense Studies Center] of Madrid began to collaborate, establishing as a first step a joint group of French-Spanish studies on military sociology."

Common Interests

Absolutely independent as regards its work methodology, the selection of issues, and the elaboration of conclusions, CERA receives funds from the government budget as well as, in some cases, project proposals whose exploration is of interest to the heads of the French military establishment. And even though they obviously enjoy an easy relationship with military circles, the latter, in Prof Mandeville's words, have not at all lowered their guard since there still exist reservations on the part of some individuals as to collaborating with university people or, more simply, with civilians. Proof of that problematic aspect of their relations exists in the recent rejection by the military authorities of the proposal

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to carry out a survey among the French "blue helmets" [members of UNIFIL--United Nations Intervention Force in Lebanon]. However, they received approval to submit their questions with complete freedom to the soldiers of a paratroop graduating class (these were polled on joining the army and later when they were released), paratroop officers (on such polemic topics as what their attitude would be if a conflict were to occur between their conscience and the orders they received), and all the way up to the generals.

"This was the first time that generals were polled, and even though 75 of the 147 approached refused to answer--which statistically represents a normal rate of abstention--the others explained their ideas in writing," Prof Mandeville noted.

To focus their work, as was mentioned earlier, on armies with great affinities and also in very similar societies--which CERA has managed to do so far--represents accomplishments of immediate interest for many other countries and, naturally, for Spain. In this respect my interlocutors pointed out that when 2 years ago they had the idea of undertaking a study on the establishment of a military peacekeeping force at the service of the United Nations, there were many who believed that this would not be of interest because it would not be pertinent in France. However, a little later the French sent army units to Lebanon. The same could happen with Spain if the dispatch of "blue helmets" to one of its old spheres of influence--let us say the Sahara--should become necessary.

Another topic which is of present interest in France and which Spain may have to consider tomorrow is that of replacing the military draft with voluntary military recruitment. In this connection CERA has looked to other experiments already in effect such as that in the United States to which a lot of space was devoted in another of the collaborative projects published under its auspices and entitled "Le Systeme Militaire des Etats-Unis." Prof Mandeville told me:

"If we look at what happened in the United States and explain it we shall have sufficient documentation available to determine whether the method is of interest or not as well as what are the problems which, already within that context, can appear such as--without going further--that of a greater involvement of women in military duties. Today, for example, of the 480 job specifications in the U.S. military establishment only 19--among them the positions of tank drivers, fighter pilot, and so on--are barred to women; even at this time at the silos where the Titan missiles are based there are women who, should the case arise, would be those charged with pushing the button of nuclear death. Naturally, in this respect there are differences between the United States and Europe since, while the American feminist movements are struggling to give women new and greater responsibilities in the military establishments, including combat slots, the French and I imagine the Spanish feminist groups are antimilitarists."

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Bilateral and multilateral planning, comparative studies (there is one being made now on the military systems of Spain, Italy, and Greece), and so on are, then, the major resources used by the Toulouse team to achieve its goals. As far as Spain is concerned its collaboration is growing constantly and another organization has just become involved in this process: The Sociological Research Center of Madrid. My interlocutors with reason feel very gratified by the facilities and reception that they have found here, especially Prof Quatrefages who, a genuine vanguard, had come to Madrid in October 1975 precisely at the time when, in many large French cities, in the press and in the street, a violent attack against Gen Francisco Franco's government was under way. Despite the excesses committed in those days, such a reasonable circle as the military knew perfectly well how to make a distinction and gave the scholarly Frenchman all kinds of attention.

"Up to now we have worked satisfactorily and facing the future our hopes are great. We have plans for joint studies, joint meetings in both countries, and so on. Everything is going very well," they told me. And certainly, on the basis of the evidence, that is the case.

The Spanish Army, An Exemplary Army

Before leaving I asked Prof Quatrefages, since what is involved is a skillful survey in the field, what his opinion was of those old Spanish armies, so famous and heroic. He replied: "The Spanish army was in itself a microcosm which had developed and had very particular techniques regarding armaments, combat, organization, and so on, some of which led to those of our times. This refers to the regimental structure originating from the companies of the Spanish army and their division into sections. Like today's U.S. task forces, the units of the Spanish army were ready to intervene rapidly despite logistical problems no matter where, whether in Flanders, Italy, or America. It was really an exemplary army with a very modern sense of reality."

PHOTO CAPTIONS

1. p 55. From left to right the photograph shows Professors Henri Fontana, Lucien Mandeville, and Rene Quatrefages in Madrid's Velazquez House.
2. p 56. Prof Mandeville is one of the most important authorities on military sociology in the Western world.
3. p 57. Title page of the first publication by the French-Spanish team on military studies: "Les Militaires et Le Pouvoir Dans Le Monde Iberique."

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COUNTRY SECTION

FRANCE

PARTICIPATION IN WEATHER SATELLITES URGED

Paris AIR & COSMOS in French 8 Mar 80 p 42

[Article by Pierre Langereux]

[Text] The French minister of transportation, Joel Le Theule, categorically spoke out in favor of French participation in a worldwide system of operational weather satellites, as a follow-up to the exploitation of the "Meteosat," the first European weather satellites. Addressing the 12th Plenary Assembly of the Meteorology Council, which met in Paris on 21 February, the French minister of transportation said that "the government's choice is either an active participation in the Meteosat operation, which would ensure France, along with its European partners, a useful position in the worldwide chain of earth-synchronous weather satellites, or subordination to a foreign data bank, supplied by a system to which we could not contribute." In such a situation, Joel Le Theule, aware of the significance of the considerable technological advances made in weather satellites, wants "French meteorology to be a full partner in the system."

This favorable position taken by the minister of transportation, who is thereby responsible for national meteorology, does conflict with the reluctance shown by the ministry of industry, which has not been convinced by the economic arguments in the report presented by the meteorologists. So for the moment the decision is caught up in a vicious circle, for it is naturally still premature to speak of "profits" in terms of earth-synchronous weather satellites. But there are a good many specialists, notably in the United States and in Japan, who feel that earth-synchronous weather satellites have already demonstrated their "usefulness." But that is a far step from being able to quantify this usefulness. So we can expect that the issue will be resolved in the next few weeks by the prime minister.

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French participation in a worldwide earth-synchronous weather satellite system, however, has already been given a price tag. It would cost 35 million francs a year. The overall cost of an operational weather satellite system is estimated at 343 million UC [accounting units], or about 2 billion francs, spread over 14 years, to maintain constant service with five satellites launched starting in 1984. This is based on economic estimates for the Meteosat operational project, which will be presented by the European Space Agency in the spring.

This operational system would take over from the first experimental satellites, "Meteosat 1," which failed at the end of November 1979 after 2 years of service, and "Meteosat 2," scheduled for launch on 23 September of this year by an Ariane rocket during its third flight test. A third flight model is being made available for a possible replacement launch in early 1981.

Europe's operational earth-synchronous weather satellite network will be implemented and operated by a new organization named Eumetsat. It will have a light structure and will use the services of the ESA [European Space Agency] and possibly other organizations such as Eurosat. The European meteorologists are going to meet in Paris at the end of March in order to discuss the establishment of this new European weather organization using satellites, Eumetsat.

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FRANCE

CREATION OF ARIANESPACE COMPANY RELATED

Paris AIR & COSMOS in French 15 Mar 80 pp 41-42

[Article by Pierre Langereux]

[Text] The French firm for the production, commercialization, and launch of Europe's Ariane rockets, Arianespace, will be established in about 10 days.

The intergovernmental negotiations concerning the creation of the new firm ended this week.

The Franco-German disagreement has now been resolved. The German minister of research and technology, Volker Hauff, and the French minister of industry, Andre Giraud, recently agreed on the interpretation of the text of the French "Declaration" about the production phase of the Ariane launch vehicles.

The creation of Arianespace will take place in three phases: creation of the firm with the signing of the articles of association on 26 March, acceptance of the Declaration, and start of application of the accords on 14 April, with the signing of the ESA [European Space Agency]-Arianespace agreement at the end of June 1980.

47 Stockholders

This is the final phase of the signing of the industrial and financial agreements which will enable the new firm to be formed. At the start of this week, most (90 percent) of the 47 stockholders, industrialists and bankers, had already signed the accord and the transfer of funds forming the capital of Arianespace was underway (a quarter of the capital was paid).

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The signing of the Arianespace articles of association is scheduled for the morning of 26 March, and the first meeting of the administrative council of the new firm will take place in the afternoon.

Arianespace will be a corporation established under French law with a capital of 150 million francs, of which 120 million will be paid by the stockholders and 30 million francs will be paid from its own funds (stockholders' advances). The firm should have 47 stockholders, including the CNES [National Center for Space Research], the main stockholder with 34 percent of the shares, 11 European banks, and 35 industrial firms from the 11 nations of Europe taking part in the Ariane production program. France will hold the majority of the shares (59.25 percent), followed by the Federal Republic of Germany (19.6 percent). The remaining 20 percent of the shares are held by stockholders from the nine other countries involved (see AIR & COSMOS no 791).

The new firm will have its headquarters at Evry, near Paris, where the Launchers Division of the CNES is located. This is the prime contractor for the Ariane program. The company will employ about 100 people. It will probably have a French chairman of the board and a German president. The administrative council will have 12 members.

In Effect on 14 April

The Declaration on the production phase of the Ariane launchers filed by France on 14 January 1980 was made available for acceptance by the member states of the European Space Agency who are participating in the Ariane program for a period of 3 months, or until 14 April 1980, at which date the accords will take effect¹. After that date, any acceptances will have to be approved unanimously by the already participating members.

This Declaration will be applicable until the end of 1989. But the provisions of the Declaration may remain in effect beyond that date to ensure the execution of contracts concluded until the end of 1989. The participants in the Ariane program will consult at least 3 years before that date, or before the end of 1986, on the terms for renewing the accords. Until that time, a meeting of the participants is to be held if technical

1. With the reservation of the entry into effect of the ESA Convention that France is the only country which has still not ratified it, after 5 years.

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or financial problems should arise, endangering the future of Arianespace or the production of the Ariane launch vehicle.

"Convention" at the End of June

As the third aspect of this operation, Arianespace will conclude a "Convention" with the ESA to "implement the provisions of the Declaration" and to define the "relations" between the ESA and the new firm. The ESA will in fact be responsible for operational activities related to the Ariane production.

The text of this Convention will be ready for signing at the end of June 1980, according to the CNES.

Some "specific agreements" concerning improvement programs for the Ariane launch vehicle may also be reached with Arianespace to establish the technical, contractual, and financial modalities for the later use by Arianespace of the improved versions of the launch vehicle (Ariane 2 and 3).

The Declaration

The text of the French Declaration concerning the production of Ariane launch vehicles by Arianespace has remained unchanged since it was filed, says the CNES. We will give our readers a first look at this still unpublished document.

According to the terms of this Declaration, the participants entrust to an "industrial structure" (Arianespace) "the execution of the production phase of the Ariane launch vehicle to satisfy all the needs of the world market for launch vehicles," with the reservation that these activities must be peaceful².

Arianespace will have to give "priority" to ESA and to the states participating in the Ariane program over third party clients for "necessary services and launch schedules." The ESA will benefit, as will the participants, from "free options" in reserving launch slots. But these reservations will have to be changed into paying options if a third party client requests the same launch slot.

2. In accordance with the Space Treaty of 1967.

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The 11th Rocket

Arianespace will be "responsible for the manufacture, commercialization, and launch of the Ariane rockets starting with the 11th rocket (L11), states the Declaration. That is, after the first 10 rockets launched under the responsibility of the ESA. These include the first four flight test rockets (L01 to L04) including the one launched successfully on 24 December 1979 (see AIR & COSMOS no 793), as well as the first six production rockets (L5 to L10). This first series includes a spare rocket and five rockets assigned for launches, between April 1981 and the end of 1982, of the "MARECS B" and "Sirio 2" satellites (double launch), "Intelsat 5," "Exosat," "ECS 1," and "Telecom 1A"; the latter is scheduled for December 1982 with the 10th Ariane. Arianespace should therefore in principle take over the launch of Ariane rockets in early 1983. But it is still possible that there may be a certain amount of overlapping of launches made by the ESA and Arianespace in 1982, if new clients order launches for that period of time.

Reasonable Disadvantage

The participants will have to "try to support the use of the Ariane launch vehicle for international programs in which they are participating," says the Declaration, and in particular for European activities, in accordance with the ESA Convention.

They have also agreed to "consider" the Ariane launch vehicle for their national programs and to "give preference" to the European rocket, unless this use presents, in relation to other launch vehicles available, "an unreasonable disadvantage in terms of cost, reliability, and suitability for the mission."

This article of the Declaration is important, for it will certainly be a sensitive issue, in the event of a disagreement, to define the limits of this "unreasonable disadvantage," as the concept is vague enough to permit a wide variety of interpretations³.

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3. This is reminiscent of another formula of the same type (significant prejudice) which, in the Intelsat accords, aroused sharp controversies about its interpretation (Editor's Note).

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Price Policy

"A price policy keeping in mind international competition will be applicable to all users of the "Ariane" launch vehicles for contracts signed after 1 July 1983 and scheduling launches after 1 July 1986. The participants will meet with Arianespace after 1982 to define, at the latest by 1 July 1983, the means to be used to attain this objective," states the Declaration.

The prices charged the ESA and the participating states "for contracts signed before 1 July 1983 or for launches scheduled before 1 July 1986" with the Ariane 1 rocket are set forth in the following schedule:

- a. 175 million francs (30.95 million UC [Accounting Units]) for a single satellite launch of the Ariane (1.7 ton or Atlas-Centaur class;
- b. 150 million francs (26.53 million UC) for a single satellite launch of the Demi-Ariane or Thor Delta class;
- c. 95 million francs (16.8 million UC) for a double satellite launch of the Thor Delta class.

These are prices current as of 1 July 1978; they will be "adjusted based on economic and monetary conditions." They do not include insurance (about 10 percent) covering the risks of a launch failure. France does cover the financial costs of damages which may be caused by launches with Arianespace participation (with a ceiling of 400 million francs per launch).

Moreover, these are only "suggested" prices for Arianespace (for launches by the ESA and the participating states); if the actual billed prices are different, Arianespace will bear the financing costs.

Exports and Prohibitions

Launches for a nonmember state or for a client of that state will be subject to the approval of a committee consisting of a representative of each participating government, which will decide if the sale of the launcher is compatible with the rules governing the peaceful use of Ariane.

This committee, when informed by the president of the ESA about proposals to sell the rocket to third parties, will meet if

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at least a third of the members of the ESA make such a request. It may, within a maximum period of 4 weeks, "make a decision to ban the sale of Ariane if a two-thirds majority of its members representing at least 15 percent of the payments to the development program so vote." In other words, without France and Germany, which together account for 85 percent of the payments, it would take a full mobilization of all the other member states to use this clause. If that were to happen, the decision would be binding for Arianespace and the French government would be responsible for enforcing the prohibition.

A Fair Return and Competition

Every state participating in the Ariane program will also be free to "not associate itself with a particular launch" and to "suspend its membership in Arianespace" if the sale goes on. But it will then be "required to authorize and to facilitate the transfer of the manufacture of corresponding supplies to industries of the participating states."

In return, Arianespace will have to "respect the geographic industrial distribution of jobs resulting from the phases of development and promotion among the participating states (principle of fair return). But if Arianespace "judges that this distribution can not be maintained because of industrial proposals offering unreasonable prices, terms, or quality," it can then turn to competition. In that case, "the former contractor may accept the best financial offer and benefit from priority in relation to all industrial proposals that are equivalent in price, terms, and quality."

Aid and Assistance

The ESA and the participants in the program are required "to make freely available to Arianespace the installations, equipment, tools, and intellectual property rights acquired in the phases of development and promotion" for the production and launch of rockets. For its launcher production needs, Arianespace may "have free access to technical data" in the possession of the ESA and of the participants who will have to grant to the company "the technical assistance needed in the areas of industrial monitoring of quality and price investigations."

The ESA must also "provide its assistance" to Arianespace in the "promotion of the Ariane launcher for export, especially in approaching international organizations." The participants

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must also satisfy "special modalities of guarantees and financing that might be required by some export sales."

Utilization of the CSG [Guyana Space Center]

The participating states furthermore agree to participate, according to modalities still to be determined (by a new accord with the ESA) in the financing of the Guyana Space Center, where the Ariane rockets are launched.

For the use of the CSG and for each launch sale, Arianespace will pay the ESA royalties which will be deducted from the payments of the states.

These royalties, paid on the date of each launch, will represent a percentage of the sale price: 1 percent from the first to the 20th launch; 2 percent from the 21st to the 30th launch; and 5 percent after the 30th launch.

Arianespace will actually have to launch at least 30 rockets between 1983 and 1990 to reach the break-even point. That figure does not include the ten rockets (four test and six production models) launched previously by the ESA. That means the production and launch of about 40 Ariane rockets (either present or improved versions) during this decade.

And that is by no means impossible.

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COUNTRY SECTION

FRANCE

GOVERNMENT MOVES TO IMPROVE MANAGEMENT, REDUCE WASTE

Paris VALEURS ACTUELLES in French 3 Mar 80 pp 23-25

[Article by Michel Chamard]

[Text] A strict schedule and a personal control of the ministers' zeal: to apply to the state's working budget a policy of economy, whose reality had often been doubted, Mr Raymond Barre has changed his tone. Last year, the prime minister had asked the government to consider measures in this area in each of the ministerial departments. This time, he instructed his ministers to pass to action.

In a letter addressed on 1 February to the ministers and secretaries of state, Mr Barre explained:

"The foreseeable evolution of public finances is going to pose very difficult problems in the coming years, which will only be solved at the price of a particularly strict management of the state budget.

This situation makes it necessary to review certain actions or structures which are no longer justified, and proceed to an in-depth revision of the available financial means to make sure they are allocated to the essential priorities.

On the other hand, the public sector should contribute to the national effort at better management, applied to the adaptation to the new conditions of economic and social development.

The Council of Ministers of 27 February examined a number of instructions relating to the preparation of the 1981 budget. But Mr Barre intends to set up a special procedure "voluntarily dissociated" from its activities, on the proposals of the budget minister, Mr Maurice Papon.

The latter had written the following to Mr Barre on 17 January last:

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"Following the debates and controversies which marked the last budget session, I believe it is necessary to take the initiative in the matter of economy right from the beginning of this year.

"In this connection, the objective may be to achieve a significant level of savings for 1981.... The overall restriction imposed for 5 years on the State administrations has escaped to a great extent the notice of public opinion. The ministers are certainly aware of the importance of the political debate relating to economy. The difficulty now is to convey the message to the expenditure pattern of the administrations themselves."

On the basis of this letter, in which Mr Maurice Papon proposed to "start by means of a totally new procedure, a change in administrative behavior," a schedule was personally fixed by the prime minister, with the coordination of a specialized cell of the budget board.

On 1 February, Mr Barre sent the letter reproduced on the next page, and prepared by Mr Papon's services, to the ministers.

On February 8, the latter convened the close to 100 financial controllers of the various departments to specify his views.

On February 15, the Budget minister's desk received the inventory by the paymasters of "operation or intervention expenditures inadequately suited to their purpose..., also the administrative procedures or structures which are the cause of certain increases in the operating or equipment charges."

That same day, the Treasury Inspectors General were asked to furnish "a systematic review of the inquiries and reports obtained in the inspection" since 1978, also a "systematic inventory of proposals for economy and redeployment" formulated by the Revenue Court since 1978.

On the 20th, the ministers handed over to the budget minister their proposals. Mr Barre had written to them: "Independently of the overall economies which...will have to be obtained in 1980 on your operating budget, I request you to seek systematically any short-or medium-term economy measure, which might mean a reduction in the government expenses, or an improvement in its resources.... It is essential that your proposals should include substantial financial effects capable of appearing in the budget draft for 1981."

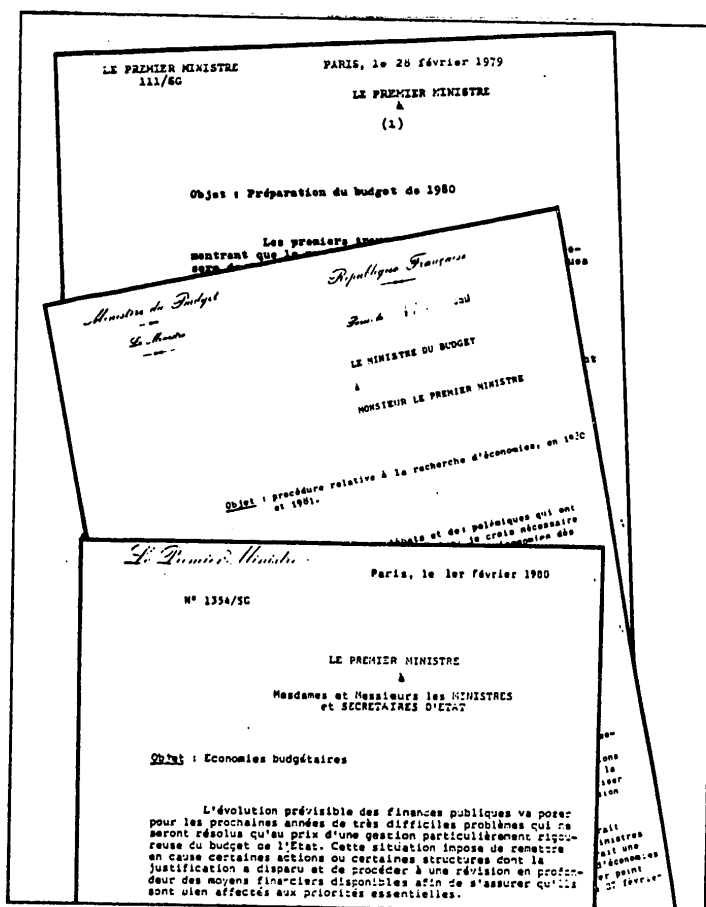
On the 27th the first assessment was made in the Council of Ministers. Then, on the following days, there was an examination, with debate, between the services of the different ministers and those of the budget.

"I would later study personally the results of these proceedings and will decide, if necessary about the points which are still in dispute," Mr Barre specified.

VALEURS ACTUELLES had published letters from the prime minister conveying the same idea (in our issues of 4 September 1978 and 26 March 1979). The tone was less imperious at that time.

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In the first one, dated 12 July, 1978, the prime minister drew the attention of his government to the "difficulties experienced by the State Treasury." In the second, dated 28 February 1979, the following was to be read: "The public opinion would not understand the government not attempting to revise the state's lifestyle."

This was followed by hardly any effects on the administrations, except for a few limited measures specified by a letter of 2 November last on the state's automobile fleet (our issue of 17 December).

The RPR [Rally for the Republic] had then seized the opportunity to question the prime minister's management. On 23 September last, Mr Jean Meo, economic adviser to Mr Jacques Chirac, asserted in his report to the RPR

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Central Committee that: "The government's lifestyle showed arrogance." A criticism which was repeated more brutally by Mr Jacques Marette, Paris deputy, a few days later, at the time of the RPR Parliamentary Days in the Ares: "The government's lifestyle must be reduced, the rash spending by the administrations must come to an end, voted services must be attacked, we must reduce bureaucracy."

On the occasion of the budget debate at the National Assembly, the RPR demanded an edonomy of 2 billion francs on the ordinary expenses of the government.

Mr Barre proposed 200 million.

The prime minister emphasized the incompressible nature of most of the expenses and the fact that it was impossible to remove this sum from a budget established with "very great internal coherence." He explained that a considerable effort had been made to reduce the number of public jobs from 22,000 in 1979 to 14,000 in 1980.

The prime minister stated that: "The operating credits had stagnated in constant francs in 1976, 1977 and 1978. A make up increase took place in 1979, but the increase will be non-existent in 1980."

For his part, Mr Papon explained that it was possible to save 200 million on publications, telephone, and the automobile fleet of the administrations.

Mr Barre proposed the establishment of a mixed commission of the deputies of the majority party and treasury officials to study the problem. Mr Claude Labbe, Chairman of the RPR group at the National Assembly, refused:

"This is not the role of Parliament!"

It is indeed difficult, for obvious electoral reasons, for a Parliament member to determine himself a reduction of the funds of extravagant ministries.

A deadlock had been created. It ended in the implementation of Article 49, paragraph 3 of the Constitution: the budget was declared adopted without any vote.

The Charac followers' refusal to accept the responsibility for clear cuts in the budget many have incited Mr Barre to take once again the initiative himself, speeding up the process that he had been contemplating since 1978. This produced the February schedule.

In the prime minister's circles, it is affirmed that the "boss" has decided to go very far. A member of his cabinet says so:

"The object is to make not only the ministers, who are political people, but also the heads of their administrations, aware, that strictness is

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needed: the state system cannot appear to be living free from the restrictions imposed on companies and private individuals. Up to now the "great minister was the one who obtained the greatest increase in his budget allocation. Now he is judged by his ability to manage with a constant budget, while increasing productivity."

However, some brutal measures taken by a "hatchet commission" may incur risks of disastrous effects. At the Hotel Matignon, it is emphasized that:

"The consequences of the slightest measure must be carefully evaluated. This is to prevent errors such as the professional tax, for want of simulation."

In his letter of February 1, Mr Barre wrote: "I am asking you to personally see that this totally new procedure should start a real change in administrative behavior and achieve significant results with regard to the total amount of credits allocated to your management."

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COUNTRY SECTION

FRANCE

REVIEWS OF NEW PARIS BOOK RELEASES ON COMMUNISM, TERRORISM

Rudolf Bahro: Marxism, Leninism

Paris PROJET in French Feb 80 p 249

[Review by Henri Chambre of the book "L'Alternative" by Rudolf Bahro, "Lutter" Collection, Stock publishers, Paris, 1979, 426 pp; "Je continuerai mon chemin," "Dialectiques-interventions" Collection, F. Maspero publishers, Paris, 1979, 142 pp]

[Text] Arrested in August 1977 for "espionage" by GDR authorities, R. Bahro in October 1979 was amnestied and allowed to go to West Germany. The reason for his arrest was the publication of "L'Alternative" in West Germany without authorization. The "espionage" charge is somewhat toned down by the subtitle which is "For a Criticism of Current Socialism" and as we read the book we likewise find that there was no espionage. Here we find, on one hand, a well-argued criticism of the Marxist-Leninist system, such as it exists in the GDR and, on the other hand, a lengthy proposal for a "communist alternative strategy," solidly put together. The entire work shows that Marxism-Leninism is the "childhood disease" of the communist message of Karl Marx and under what conditions a communism, directly inspired by the latter's ideas, could be built today. This undertaking is handled from the inside by a former official of the East German Communist Youth and a former functionary of an East German government enterprise, one of the men most familiar with the work of K. Marx in the GDR. In his second work, R. Bahro explains why and how he remains loyal to this line of thinking and to this effort and why he has not renounced any of his positions. The point of departure of this entire work of reflective analysis is the "Prague Spring" and its brutal termination in August 1968. It leads to an alternative which is something like a cultural revolution, attacking the existing consumption models and proposing a modification of social forms of behavior.

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Antoine Spire: PCF Membership

Paris LE MONDE in French 2-3 Mar 80 p 13

[Review by P. J. of the book "Profession: Permanent" by Antoine Spire, Seuil publishers, 247 pages]

[Text] Mr Antoine Spire, a former business manager of Editions Sociales, today is in charge, at Editions Sociales, of a collection entitled "I am writing your name--liberty" whose purpose is to talk about the communist commitment other than this is being done in the official publications of the PCF [French Communist Party]. The works published by Mr Spire are a useful counterpoint to the image given of the Communist Party by the current policy of its leadership.

Mr Spire is an eyewitness here to these events as he tells us how he joined the Communist Party at the end of 1967 and the decision he made a year later to place his competence in the field of business, as a graduate of the HEC [business college], in the service of his party. He was soon given a responsible job at Editions Sociales and after a brief assignment in a company within the Doumeng group, he resigned in October 1978 for reasons partly having to do with company policy and partly with party policy.

We can imagine of course that these two are not unrelated. This is what makes Mr. Spire's book so valuable; it reflects the way in which the PCF apparatus reacted to the updating undertaken at the end of the sixties and continued during the seventies. Through the case involving Editions Sociales, we detect the contradictions of an open-door approach policy by virtue of which, for example, the communist leaders preferred to publish their books through a big publisher who would guarantee them big sales, rather than giving their own party's publishing house the political latitude necessary to grow.

Like any book by a former communist official, the book by Mr. Spire contains anecdotes which cast light upon the personalities of various leaders of the PCF, such as Mr Roland Leroy whom we discover in the course of a night-time stroll in Rouen in 1968. Mr. Spire also talks about his activity as a militant at Ivry-sur-Seine, the fief of Mr. Georges Gosnat, where it is hardly permitted to go against the habits involved in the party's functioning, even if one adopted them and practiced them without failure from the very beginning, as the author did.

The party's permanent staff members, be they "political" or "technical," are rather strange individuals whose power is proportional to their anonymousness. They are much more difficult to replace than the militants and no policy can be carried out without them and certainly not against them. This is the first rule a permanent staff member must always remember. Undoubtedly, 10 years were not enough for Mr. Spire to become a real permanent party staff member.

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Former Communist Roger Garaudy

Paris PROJET in French Feb 80 p 246

[Review by J. Sommet of the book "Appel aux Vivants" by Roger Garaudy, Seuil publishers, Paris, 1979, 403 pp]

[Text] Strange fellow, that Roger Garaudy. On the one hand, he seeks a kind of modern propheticism which he wants to express in full freedom. But, to formulate the spirit of a liberating modernity, he has to run through the great messages of wisdom or religious faiths, including that of the Ayatollah Khomeyni. As elsewhere, he does not in any way repudiate the Stalinist purges, the German-Soviet pact, or the events in Hungary. It seems that he is sure of being able to derive positive conclusions from any great historical current, even if it was the most terrible one, provided it is over and done with. For the future, he begins to dream about a general attitude - which is certainly also generous - but which would be valid only to the extent that it would reject any institutional apparatus and its most justified restraints. Does this not boil down to dreaming about a spirit and a socialism without substance, rather than confusing spontaneous self-management and progress? This of course does involve moving on to a blueprint for specific growth; the rigorous condemnation of waste and an analysis of the possibilities of our society certainly are helpful. But he does not say anything beyond the present; at least he says nothing about the ways to be used in making the future a combination of institutions and forces. But who could move men in our day and age without that? And how could a "prophetic office of the president of the Republic" - for which Garaudy declares himself to be a candidate - do anything other than distract us for just a moment.

Culture, Communist Power

Paris PROJET in French Feb 80 p 249

[Review of book "Culture et Pouvoir Communiste"- "Recherches" collection, CERFI publishers, 9, rue Pleyel, Paris, 1979, 164 pp]

[Text] This volume constitutes the Transactions of the Conference held at the Sorbonne on 5 and 6 June 1979, during the "Paris-Moscow, 1900-1930" exposition, held at the Pompidou Center. This exhibit showed visitors only one aspect of Russian culture during the first 30 years, that is, precisely the aspect which Muscovites cannot see in their museum and public libraries. This is underscored by the subtitle of these transactions which is "The Other Face Of 'Paris-Moscow,'" bringing out the errors, the falsifications of facts through lies and omissions, both in the exhibit and in its catalogue, while the beauty of works displayed

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fascinated the public.

French men of letters, specialists in the Russian art and literature of that epoch, and men of letters exiled or expelled from the USSR or Poland denounced them in particular at this conference with its high-level intellectual content. Among the ...[rest of book review missing in photostat].

Jelen, Wolton: Western Dissidents

Paris PROJET in French Feb 80 p 249

[Review by Henri Chambre of the book "L'Occident des Dissidents" by Christian Jelen, Thierry Wolton, "Les grands sujets" collection, Stock publishers, Paris, 1979, 231 pp]

[Text] The contribution of the dissidents (in Russian, specifically, "those who think differently") to the knowledge of the "socialist" reality of the USSR and the countries of Eastern Europe is considerable. This is a cutting and well-organized criticism of the Marxist-Leninist regimes which dominate these regions and their respective populations. The work by C. Jelen and T. Wolton is the fruit of a survey conducted among several of these "resisters" who are forced to live in the West under capitalist systems in an effort to get their reactions to the West which they have discovered and which often does not come up to their expectations. This report is very polemical (too much so) but is nevertheless of interest from two angles: on the one hand, through what they say about the West we discover more in depth who the dissidents are; we become aware that many of their reactions are characterised by oversimplifications and were recorded during their life and struggle in the USSR, primarily and by the logic deriving from that; on the other hand, their responses take us back to our own problems and help us in seeing them in the proper perspective and evaluating them better.

An annex provides further specific useful information on each of the persons interviewed.

Serge Moscovici: Dissident Psychology

Paris PROJET in French Feb 80 p 247

[Review by D. S. of the book "Psychologie des Minorites Actives" by Serge Moscovici, PUF, Paris, 1979, 275 pp]

[Text] It is astonishing to find with what ease a certain number of people change their concepts of life and even their perception of reality. It is just as astonishing to see individuals refuse to conform to the general model in spite of the enormous pressure exerted by society and to wind up by creating new ways of life.

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These phenomena of influence are extensively being studied today and, in this book, Serge Moscovici presents a theory on the influence of minorities.

Moscovici's 'Psychology,' Further Details

Paris LE NOUVEL OBSERVATEUR in French 3-9 Mar 80 p 74

[Review by Mona Ozouf of the book "Psychologie Des Minorites Actives" by Serge Moscovici, PUF, 276 pp]

[Text] If there is one experience which the French--who are not very much shaken up by social psychology--are quite familiar with, it is the experience of Milgram on obedience. Of course, you remember what happened: you decide to make experimental psychology a gift of one afternoon of freedom; and a specialist in a white coat, in the name of the big help you are giving to science, convinces you to inflict painful electrical discharges upon people toward whom you do not have the slightest feeling of aggression, whom you have never seen, whom you cannot even see now. In reality, the button you are pushing does not communicate any shock to anybody; but, since you do not know that, you have nevertheless become an executioner out of conformity; this is a rather nice definition for most of the executioners.

The Green and the Blue

We hardly have any need for this horrible test to believe that conformity is the basis of community life. Ever since Tarde, sociologists have gotten us accustomed to consider that models and roles are imposed upon us and that our entire effort consists in going along with them. Everybody around us is only after the compensation promised after this exercise in gymnastics, that is, "to feel good inside his skin." And, to go even further into this religion of adaptation, there is this age of ours which is exhausted, which untiringly transforms marginal things into fashion, the latest discoveries into mere catchwords, which in one day uses up "new" philosophies, which recovers all the dissidences and which makes us think that, on a worn-out social fabric, no embroidery could any longer have any unexpected effect.

Does the formidable pressure of conformity stop at least before our inner courtyard, as it were, the preserve of our humors and our tastes? Let us forget about this hope because even the very last stronghold is now surrounded: Pierre Bourdieu has taught us what heavy automatic procedures our presumed discernment is supposed to obey. As for the rest, we have always known that one must prefer Van Gogh to Gauguin, "l'Education Sentimentale" over "Madame Bovary" and that we must refrain from believing that Maupassant is a writer.

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The great merit of the book by Serge Moscovici is that he rejects unworthy, plaintive, or resigned chatter which winds its way around the standardized human beings we are. He courageously addresses himself to austere experimentation. So, there are those people to whom one presents material without malice, a series of blue slides; in the name of "common sense," so abused by our manuals, they say, yes, they are blue. Above, in the innocent bunch, we find the companions of the psychologist. They swear that the slides are green. Among the naive people, some then begin to hesitate. Some individuals, who continue to see blue, allow themselves to be talked into saying that they see green. Others, who are even more malleable, no longer believe their eyes. Not only do they say green but they say that they see green. How can one thus change his statements and his perceptions? What is it that limits or promotes our being swept along? And is this easier when there is one or more peers around? When the peer changes his opinion or when he sticks to it? When he is rigid or when he is open to discussion?

From a thousand observations--more refined, of course, than I could tell here--stuck in his psychologist's hat, Serge Moscovici makes the rabbit of liberty rise against any attack. It is not true that conformity will certainly triumph over marginality. It is not true that the majority is always right. It is not true that a community does not know how to change its feelings and its leaders. It is not true that isolated man cannot create the event. This is what was shown by the modest participants in these experiments who were simply asked to choose between green and blue. Between other choices, and under different skies, this is what the individual by the name of Solzhenitsyn demonstrates, the incarnation of the powers and the opportunity of the minority.

Having said this, the paths of liberty are rough. The minority can triumph only under specific conditions which are lovingly listed in this tonic manual. To prevail, it must openly accept conflict, it must give itself a clearly visible social image which will enable it to be recognized by all and from far away. It is also necessary to make sure that the minorities do not think of themselves as deviants--and that is a simple condition which by the way is difficult to implement. Anybody who recognizes himself as a deviant has accepted the values of the majority, has accepted the terrain and the weapons of the adversary. And so the deviants are always defeated. The entire activism contained in the book by Moscovici consists in giving the deviants the kind of consistent obstinacy which turns them into members of a minority and changes the course of human affairs. Because, in the end, they do change. Our age, as seen by Moscovici--who thus takes up the hair-brush of the dogma of triumphant conformism--is that of the revenge of the minorities. Or, which boils down to the same thing, the age when those who have been excluded from everything, those who have been passive so far--the women, the young people, the immigrants, the artists, the homosexuals, the prisoners and the insane--are becoming "active minorities."

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Even if we are not ready to understand the invitation to unite, which has been extended to deviants in all countries, we will learn a number of things that are useful in public and private life by going along with Serge Moscovici. You want to be convinced but you hesitate to adopt a rigid style or an open style? Your hesitation is quite pertinent because each of these two styles has its own chances of success: you will adopt the second one if you want to reach outside your spiritual family; and you will pick the first one if you above all want to reinvigorate your own bunch. This is the explanation for that paradox which means that, the more Marchais thunders about it and makes himself hated, the more is he loved and seems lovable among his own group.

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Jean Servier: 'Terrorism'

Paris PROJET in French Feb 80 p 249

[Review by Antoine Cassan of the book "Le Terrorisme" by Jean Servier, "Que sais-je?" collection, PUF, Paris, 1979, 127 pp]

[Text] According to the CIA, there were, between 1968 and 1976, 1,152 acts of "international terrorism" including 451 in Western Europe, 132 in Near East and only six in happy Australia. But if we look at the actions taken by these people in their own countries, we arrive at different and much higher figures, for example, there were 548 attacks involving explosives in 1977. This is a big phenomenon which is difficult to pin down, which involves fluctuating definitions, but which Professor Servier is firmly determined to deal with in a spirit which, let us say, sometimes borders on the polemical. "If the public were not to be so interested in this spectacle, if the mass media were simply to stick to their role of straight reporting, then terrorism would again become a common-law crime from which it would not differ and the immature would seek to punish the society for their failures in a different way or they would shed their solitary deliriums with their deadly discharges." Reading these lines entails the risk of being hurt by them, always ready to see in the terrorists some modern-day bandits. In this little book we will find no special indulgence for phrases such as those of Teilhard, to the effect "what does the victim matter if the gesture is beautiful." It is evident that this absence of indulgence, with greater or lesser clarity, is again found in the picture of world wide terrorism drawn by Jean Servier. A terrorist remains a terrorist, regardless of whether he is mentally unbalanced or a fighter for the Palestinian cause. Both of them must be treated through psychiatry or psychoanalysis. Depending on whether or not one rejects this viewpoint, this book will make us laugh or will arouse our admiration because of its well-felt, straightforward phrases. The subject - so burning today - undoubtedly provides an incentive to do just that.

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COUNTRY SECTION

FRANCE

BRIEFS

PROBABLE COMMUNIST SHIFT--Andre Lajoinie will probably replace Robert Ballanger as president of the communist group in the National Assembly as soon as the Assembly reconvenes. [Text] [Paris LA LETTRE DE L'EXPANSION in French 31 Mar 80 p 6]

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COUNTRY SECTION

ITALY

MASS EXODUS OF ARMED FORCES PERSONNEL

Milan CORRIERE DELLA SERA in Italian 4, 5, 10 Feb 80

[Article by Gianfranco Ballardini: "Dissatisfaction Under the Brass and Braid--Dangerous Exodus From the Cadres of the Armed Forces--Military Pilots Discontent With Pay: Some Are Going Off to Train Qadhdhafi's Men"]

[4 Feb 80, p 1]

[Text] Has the uniform lost a large part of its appeal? Is there a crisis of vocations? Pay too low? For some time, there has been a mass exodus of officers, warrant officers and petty officers from the armed forces: they are leaving the uniform to return to civilian life. Of the three branches of the armed forces, the hardest-hit is the Air Force, followed closely by the Navy. Generally speaking, the youngest, highly specialized, are going off.

In the Air Force, after the trauma of the flight controllers (who asked for demilitarization and got it), a new case is about to explode: that of the pilots. Of the 1,800 pilot officers in the cadre, a good 350 have resigned in the last 2 years: 180 have already left, while another 170 are on the waiting list and will go during 1980.

The Air Force academy of Pozzuoli "dishes out" 40 pilots a year, while another 30 come from the reserve officers training program. Therefore, the "gap" created by the 350 resignations corresponds to 5 years of pilot "production." To gain time, the general staff has decided to make use of a regulation under the law whereby the minister of defense may delay acceptance of resignation requests for "serious reasons of the service."

The training of a military pilot takes 3 to 5 years, and a colossal investment.

Most of the military pilots who leave the Air Force go to Alitalia or to the other airline companies (Ati, Itavia, Alisarda), or into the manufacturing companies (Siai Marchetti, Agusta, Aeritalia). Until 1972, the obligatory service period for pilot officers graduating from the academy was

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6 years. Today it is 14 years. But the exodus continues. Alitalia and the other airline companies--a general-staff officer explains--ask for young pilots; and from among the young ones, they select the ablest. Other military pilots are hired by Italian companies that have the job of training foreign pilots. A pilot colonel of the 4th Flight became, after resigning, an instructor of Qadhafi's pilots, at 3.5 million lire per month.

The military flying schools have also been decimated by the exodus. At Lecce, one-fifth of the instructors have resigned. Because of the shortage of instructors, the Academy's entire 1979 class was sent to be trained in the United States, as will happen for this year's class also. During 1979, the Air Force also lost some 80 highly specialized officers (electronics engineers, aircraft-engine experts, fitters, radar technicians) and 310 super-specialized warrant officers.

The Air Force general staff has tried to pinpoint the causes of the exodus. The economic factor heads the list: as compared with an Alitalia pilot, a pilot officer earns very little. "Many of us earn less than a driver with ATAC [Municipal Train and Bus Company], that runs the public transportation in Rome," explains a colonel with 30 years' seniority. A lieutenant colonel with 20 years' service, and with one son, shows us his pay slip: 840,000 lire. "A classmate of mine who commands an Alitalia DC-9 makes 2.5 million; does this seem right to you?"

Other officers who have resigned explain that the prestige of the uniform is not what it used to be: "We often feel we are third-class citizens," they tell us. Then there is the painful problem of housing: only 7.2 percent of married officers and warrant officers get service housing.

From 1946 to the present, the Air Force has lost 609 pilots in flight accidents--an average of 20 pilots a year. "At the end of my course," a high-level officer says, "there were 45 of us. Ten have gone to Alitalia, 20 are still in the service, and 15 (or one-third) have died in flight accidents."

The dissatisfaction of the flight controllers caused deep distress in the Air Force. But the dissatisfaction of the military pilots--which, because of a greater sense of responsibility, has not exploded yet--is nevertheless hurting moral, enthusiasm and faith in the chain of command, they explain in the General Staff. Because of the pilot shortage, the Air Force has proposed to the Ministry of Defense that one of the flight groups that had been assigned to NATO be dissolved.

Without pilots, the airplanes cannot fly. "The flight groups assigned to NATO are already below the strength requested by the alliance. If we shut down another group, the situation will get even worse." For the same reasons, an F-104 group of the 3rd Flight had already been dissolved. "If we go on at this rate, one of the three armed forces will end up in a state of irreversible impoverishment," they say at the Ministry of Defense. According to a note issued by the Air Force General Staff, "1980 is destined to pass into the history of the armed forces as the toughest since its founding."

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[5 Feb 80, p 2]

[Article by Gianfranco Ballardini: "The Exodus From the Cadres of the Armed Forces--Welcome to the Navy (but Industry Skims Off the Technicians)"]

[Text] Rome--Has the uniform lost a large part of its appeal in the Navy too? Looking over the figures, one would say yes. Every year, between 70 and 80 officers and 150 to 160 petty officers hand in their resignations, almost always in order to go to work in industry. "In my time, such a phenomenon would have been inconceivable," comments an old retired admiral, dismayed.

Let us see what is happening among the officers. Every year, about 1,000 young men apply for admission to the Military Academy of Livorno. After a tough selection process, only about 170 of them are admitted. About half are lost along the way during their studies at the Academy (for the Naval Engineering and Naval Weapons technical corps, the weeding-out is even more extensive because the engineering studies are very hard). Graduating from the Academy, the new officers are required to stay in the Navy for at least 6 years. At the end of this period of obligatory service, the officers may present requests for resignation. For those who are inclined to leave the uniform, the exodus begins here. In 1979, 14 out of 50 first lieutenants (General Staff list) left at the end of the 6-year period.

Every year, 70 to 80 of the 4,000 officers on the Navy's cadre list leave. The exodus is concentrated mainly in the intermediate ranks: first lieutenants (25 to 25 years of age) and lieutenant commanders (30 to 35). In these two ranks, the resignations have created real voids, extremely difficult to fill.

The Resignees

The resignees are actually concentrated mainly in the technical corps: engineers (electronics, electrotechnical, mechanical, chemical) in naval engineering and naval weapons, in especially heavy demand in industry because of their high level of specialization and perhaps their sense of discipline. And the consequences: "On the newly built units, the ones that require highly specialized personnel, there is beginning to be a lack of officers," they explain at the Ministry.

"For the moment, the exoduses are not reaching such points that they injure the Navy's functional capacity, though the high degree of sophistication of the newly built units (such as the "Lupo," "Maestrale" and "Nibbio" classes), which require extremely highly qualified personnel, who are therefore much sought-after by industry, could create problems in the future."

In an attempt to halt the exodus of the officers between 25 and 35 years of age, it has been decided to make use of a regulation under the law whereby the minister may, for needs of the service, delay acceptance of resignations. But in general, the wait is no longer than 1 year. The exodus is

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particularly acute in the technical corps, because the officers involved have degrees in engineering. The 150 to 160 petty officers who leave the uniform every year are usually specialists too: electronics technicians, electromechanical technicians, naval engine experts, radiotelegraphers, programmers, sonar specialists, mechanics.

In order to balance the exodus of officers, the Navy has decided to admit to the Academy a larger number of students than is theoretically necessary: for the General Staff list, 50 percent extra are being admitted, while for the Naval Weapons list (for which industry has a bigger appetite, because of the high level of specialization of the engineer-officers who come out of the Academy), an excess of 65 percent is planned. In brief, it is being attempted to calibrate the admissions to the Academy, so as to compensate for the exodus of career officers who throw in the sponge.

Why do they go away? "One thing is certain: it is not just a question of money," they say in the Navy General Staff. "In my view," an admiral says, "this silent exodus reveals a profound feeling of dissatisfaction and unease. Many leave because they consider that in the country's social context, the armed forces do not have enough weight. Only in this way can one explain this crisis of vocations, which once would have been inconceivable." "With the passage of time," another high-level officer explains, "we are becoming aware that the contractual power of the military is extremely low; and since unionization is scarcely compatible with military life, we hand in our resignations and go off on tiptoe."

Inquiry

The Navy General Staff is conducting an inquiry, based on a series of questionnaires, in an attempt to determine the true cause of these defections.

Generally speaking, most resignations occur at two distinct times: after the first 6 or 7 years of career, or when the officer is much farther along in his career. At the end of the initial period of 6 years' obligatory service (which for General Staff officers starts from the moment of appointment as midshipmen, while for the engineer officers in naval engineering or naval weapons it begins from the time of obtaining the engineering degree), an officer who has reached the rank of first lieutenant can present his resignation.

At that moment, anyone who does not have a vocation for the military life is strongly tempted to throw in the sponge and go work in industry. Others leave when, far along into their careers, they realize that they will never reach the top.

Of each class that comes out of the Academy (usually composed of 40 General Staff officers), only 5 will manage to get to the rank of rear admiral, and only one will become a vice admiral.

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The economic factor comes in a close second place: officers' remuneration is certainly not competitive with that of industry. Then there is the fact that in a profession characterized by great mobility, the problem of housing is really painful.

In order not to lose their rented housing, many officers transferred from one city to another leave their families where they are, resigning themselves to working in Rome, for example, with wife and children in La Spezia or Taranto. At the Ministry in Rome, hundreds of officers who have not found housing commute every day to and from Latina, Civitavecchia, Grosseto. They arrive in the morning and depart in the evening.

Managers

"From my class," says a rear admiral of the General Staff, "only 8 of us out of about 30 are still in the service; all the others have left, for industry in particular." In Milan, several firms are composed almost exclusively of Navy officers who have left the uniform, while hundreds of their colleagues work as managers in the big shipyards, in the weapons firms, in the electronics concerns.

In the Army, though, the exodus has not yet reached worrisome levels: every year, 200 officers (out of 22,000) throw in the sponge and the same number of warrant officers (out of 25,000). The trouble is that in almost all cases, it is the best--that is, the specialists--who leave.

The new Defense chief of staff, Admiral Giuseppe Torrissi, is preparing a program aimed at three objectives: improvement of pay, assignment of service housing to the greatest possible number of married officers and warrant and petty officers, and updating the modalities for promotion.

In the economic area, Torrissi has already started a study toward a complete restructuring of duty pay (such as sea-duty pay for the Navy and flight pay for the Air Force), and the possibility of better compensation for service seniority. On the housing front, the Navy is counting on buying, in 10 years, enough housing to meet 40 percent of the needs (which are enormous). In the career area, Admiral Torrissi told us, they are thinking about amending the promotion law in such a way as to make it possible for everyone to reach at least the rank of colonel and to stay in the service to the age of 60. All these measures, according to Torrissi, should help check an exodus that threatens to impoverish the armed forces irreparably.

[10 Feb 80, p 8]

[Article by Gianfranco Ballardini: "One-Third of the Air Force's Combat Pilots Will Leave the Service Within the Year--the Bitter Life of Italy's Aviators and Sailors"]

[Text] Rome--A woman, "the other half of heaven," no longer wants to be a mere appendage of her husband. And when the woman is the wife of an officer, this sacrosanct principle can produce heavy conflicts. In 1979, 200

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pilot officers and 310 warrant officers left the Air Force, 70 officers and 150 petty officers left the Navy, and 200 officers and 200 warrant officers left the Army. What are the reasons for this exodus?

Gen Alessandro Mettimano, chief of general staff of the Air Force (the branch hardest hit by the exodus), also confirms the importance of the family factors: "Many young pilots leave the service regretfully, under pressure from their wives. Many women have jobs today, and this reduces the mobility of the personnel considerably. Indeed, every transfer presents the risk of separating the family, or of causing a working wife to lose her job. Then there is the housing problem, which has become very serious. If we transfer a general-staff colonel here to Rome, the poor man has to start looking for housing, which is now a painful adventure. If he finds it, the landlord asks 300,000 to 350,000 lire per month--more than a third of his pay, which varies between 800,000 and 900,000 lire."

But once upon a time, these problems did not exist.

"Forty years ago," Admiral Bini explains, "the officer's figure in society was quite different. The uniform enjoyed high prestige on the social scale. In Italy, those who work for the state have never been well-paid, but in those times, one was compensated by social position. Today, though, the situation has changed considerably."

But does the appeal of the uniform still exist or not?

"Perhaps," says Admiral Bini, "it is less than it once was, also because some of the glitter has been changed. But to be a Navy officer, strong motivation is still needed today. We are in a position to offer young men a clean profession, in the service of the community, capable of giving great satisfaction. In young men the appeal of the uniform still exists, I am certain of it."

And in the Air Force?

"In the youth of today," General Mettimano states, "motivation is weaker than what it was for us. Those were other times, to be sure. But I must say that my wife has done 22 transfers and has never complained. Yet every transfer was a trauma at that time too. Today, when we have to transfer someone, we try to help him, because we have every interest in getting our people to work in the serenest way possible." Also because today, flying a combat airplane means risking one's life.

And Gen Lamberto Bartolucci (who will take Mettimano's place in April) adds: "For us military men, it is necessary to have the feeling that the nation appreciates our work and recognizes its importance. Otherwise, people get discouraged and leave."

For years, the Defense general staff has been asking for improvements in pay and flight allowances for the military, but the politicians have turned

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a deaf ear to these requests. Today, the situation has deteriorated to such an extent that the damage could prove irreversible.

"A bus driver," Admiral Bini says, "earns more today than the captain of a cruiser." Thus it is no wonder that hundreds of young officers throw in the sponge every year and leave the uniform (often with regrets).

The hardest-hit branch is the Air Force: in a short time, 350 pilots have handed in their resignations. Two hundred have already left, while another 150 have been held in the service for a year, "for serious needs of the service," causing bad feeling and resentment. Most of them have gone (or will go) to Alitalia and the other civilian airline companies, while more than a hundred have gone to Libya as instructors of Qadhafi's pilots, at 3.5 million lire per month. Some of them have gone for a short trial period and then have returned to the Air Force.

"The trouble," says General Mettimano, "is that it has not been the colonels and generals who have resigned, but rather the young combat pilots, who are the background of the operational units." After the departure of the first 200 resignees, the number of jet pilots dropped to 877, and of these, another 150 will leave during 1980.

This massive exodus of pilots, Mettimano says, has created a "very serious situation," which will last for 2 or 3 years. The theoretical ratio fixed by NATO is one and a half pilots for every airplane in commission. At this time, the Italian Air Force has dropped to 1 percent, and with the departure of the latest 150 resigning pilots, we will drop to 0.9 percent.

"In other words," explains General Mettimano, "we have fewer pilots than aircraft at this point. Under such conditions, a unit is not considered combat-ready by NATO; therefore, we will probably be obliged to withdraw one or more units that had been assigned to NATO." While the instructors have been resigning to go to Alitalia or go to work for Qadhafi, the Air Force has been forced to send entire classes of pilots, just out of the Academy, to the United States for training courses. In the Navy, though, the situation is far less alarming. And in the Army, the exodus is considered a negligible problem."

How to get out of this impasse? According to Admiral Bini, pay and allowances have to be improved as quickly as possible, in an attempt to at least narrow the gaps that have been created between the military and other categories. For the pilots, according to General Mettimano, it is urgent to double flight pay, "which, we should not forget, is risk pay. From 1946 to today, the Air Force has lost 610 pilots in flight accidents.

"To pilot a modern combat plane," Mettimano concludes, "strong motivation and great equability are needed: let us not forget that an F-104 pilot is flying a plane worth billions of lire, while a Tornado pilot's plane costs 20 billion. Do we or don't we want to ensure these people a minimum of economic tranquility?"

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COUNTRY SECTION

ITALY

EFFECTS OF MONETARY RESTRAINT ON INFLATION

Milan CORRIERE DELLA SERA in Italian 17 Mar 80 p 2

[Article by Mario Monti: "The Credit Squeeze Will Not Conquer Inflation"]

[Text] Current Italian economic policy deserves appreciation as well as critical comment. It should be appreciated because it now makes containment of inflation the priority objective. On the other hand, it is to be determined whether authorities (in some cases also because of the "sensitivity" over having underestimated inflation when it was still possible to prevent it without shocks) are not administering excessive doses of repressive medicine to the economy. At this point, excessive repression could worsen the coming recession more than it decreases inflation on a permanent basis. I should like to make some contributions to a balanced analysis of this problem.

The position taken by authorities regarding the path they chose in the September-October period (the forecast, the program of financial flows, the ceiling on use of bank funds) now seems to be the following: "Inflation in recent months has been greater than expected at that time. This makes the policy developed at that time, particularly regarding monetary and credit totals, automatically more restrictive than was then foreseen or desired. But it is correct to substantially hold firm to those limits in nominal terms and therefore accept greater restriction precisely because higher inflation requires greater restraints."

The accuracy of this view, which at first sight is unexceptionable, must be judged with particular attention to: 1) The indicators of supply-demand tensions; 2) How the economy reacts to economic policies; 3) The dosage of impulses transmitted by economic policy (which are more difficult to measure precisely during inflation). The imperfect control of these three aspects has contributed not a little to generating both the past stop-and-go policies and the resumption of inflation last year.

1. Supply-demand Tensions. In the first half of 1979, the resumption of inflation was properly to be attributed to the difficulties encountered in many sectors by an inelastic supply in satisfying a demand stimulated above all by monetary laxity and by the public budget of 1978 more than by world

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price increases and the cost of labor. This interpretation elicited objections when I advanced it last summer but it is now shared by many. So much so that it is often proposed even in reference to 1979 and to recent months: a period during which, at least according to available statistics, the picture probably has changed.

This can be seen in the lucid and persuasive analyses by Vittorio Conti of the Italian Commercial Bank Research Office. At the end of the summer, the supplies of manufactured goods held by manufacturers, even though totals were lower than normal, increased while unfilled orders decreased. This had not happened since mid-1977. In this context, high industrial production and use of productive capacity at the end of 1977 would seem to have been determined, more than by a particular effect of demand, by the policies adopted by businesses which wanted to reverse the shortage of supplies and unfilled orders.

Toward 1979, excess demand seemed therefore to have yielded, as a pulling force in inflation, to the full implementation of the effects of international price increases, of tariffs and the cost of labor.

2. Delayed Effects of Economic Policy. Since economic policy takes effect with a certain time lag, an anti-inflation policy implemented today must assess the supply-demand picture not as it is today, but as it is expected to be when the policy begins to take effect. Various elements lead to the belief that if in recent months demand was not "excessive" it will be still less so for the rest of the year.

Surveys show that business expects a decrease in demand. This expectation seems to be within the bounds of reality.

Domestic demand should feel both the depressive effects of the oil tax on real income as well as the delayed effects of monetary and budget policies which in 1979, above all because of creeping inflation, acquired restrictive characteristics. The public deficit was contained by the increase in fiscal pressure in real terms caused by inflation; and within the framework of public expenditures, the major increments occurred in line items, which according to the University of Bologna's econometric model, had little effect in stimulating demand. The quantity of money in real terms fell during 1979 by about 3 percent (against an average annual increase of 3.6 percent from 1973 to 1977 and 8.9 percent in the expansive period of 1978). Analogous considerations are valid for total domestic credit and total financial activity.

Regarding foreign demand, it should decelerate, if despite greater than expected delays, the generally expected international recessive tendency in the economy materializes. A further reductive factor could be the difficulty experienced by Italian exports in maintaining the market quota due to a weakened competitive position caused by our higher degree of inflation.

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3. Dosage of Economic Policy. If excessive demand has been drying up in recent months and if demand is dropping without help, is it right to impose on the economy a dose of restriction that is greater, by the same amount as the degree of unforeseen inflation, than the amount originally planned?

In order to answer that question, it is necessary to keep in mind that if, for example, the total domestic nominal increment of credit forecast last September for this year (59 trillion lire) were to be held constant, the greater inflation developing in the meantime would bring about a degree of credit restriction that would be equal to or above that of the 1976-1977. This is based on a hypothesis, certainly not pessimistic, that from spring onward the rate of inflation would keep pace with the rate (1 percent monthly) forecast in the September report.

It is difficult to consider this rigorous approach useful to the anti-inflation fight in a phase in which inflation no longer seems dragged along by demand and therefore no longer is a target for restrictive policies. If an overdose of these policies were to be administered, not only would the next recession be worse, but paradoxically inflation also would increase. Inflation would increase in the short term causing a greater than necessary production slowdown, decreasing actual productivity, thereby accentuating increases in the cost of labor per unit of product. In the medium term, as was seen more than once in the 1970's, excessive restrictions and the recession that followed were supposed to stimulate social and political pressures for a "revival": that is for a new generation of inflation through economic policy.

The theory set forth in this article may seem dangerous or an indication of resignation.

Therefore, I want to specify that I am not recommending monetary and fiscal expansion but I am only pointing out the risks of excessive restriction. Particularly in regard to monetary policy, inflation that is greater than forecast should suggest a measured broadening of the "ceilings" set in the past for monetary and credit aggregates, and an increase in nominal interest rates also [word illegible] through the official discount rate. This would simply avoid a situation in which greater inflation would have the effect of making available minor financing in real terms, but in those few cases the costs would be lower in real terms (with possible problems related to the balance of payments and the exchange rate in a phase of rising international rates).

In fact, a hypothesis might be advanced: the monetary authorities are moving precisely in the direction suggested here. The introduction of a progressive obligatory reserve on violation of the ceilings (aside from structural effects which perhaps could have advised the adoption of a similar measure in the form in which it was originally proposed, that is, with reference to growth of deposits) in effect is a penalty. However, this now makes it possible for banks having relatively low collection costs to

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expand without hesitation or "sensitivity" concerning the authorities, an act of intermediation that would be possible for them despite the penalty. Increased demand for loans could therefore be met even when interest rates are rising.

Referring to the tendency toward resignation, this charge could be made against me by those who shout: "Something must be done against inflation!" To reply would put me at a disadvantage. In fact I would have to recall, that in 1978 I pointed to the mounting inflationary potential in a period that many considered uneventful. I described in this newspaper methods that would have made it possible to play an "anticipatory game" against inflation and I emphasized that failure to do so would have put the authorities in the difficult "alternative of coming to terms with inflation by bringing the supply of money and credit into line with it or to head it off by generating recessionary tendencies."

In the above analysis I have tried merely to suggest that an "excess of repression" now cannot compensate for today's "failure to take preventive steps." More likely this would aggravate the effects on production, on employment and on inflation itself.

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COUNTRY SECTION

ITALY

ICE'S DESERTI ON TRADE BALANCE DEFICIT

Milan CORRIERE DELLA SERA in Italian 11 Mar 80 p 12

[Interview with Luigi Deserti, president of the Foreign Trade Institute (ICE), by Giancarlo Mazzuca, special correspondent of CORRIERE DELLA SERA; date and place not given: "The Export Challenge Can Be Won by Broadening the Range of the 'Made in Italy' Label"]

[Text] Bologna--Luigi Deserti, president of the ICE, the Foreign Trade Institute, is furious. He has not quite digested the polemics raised over the 1979 deficit in our trade balance that closed with a liability of 1,700 billion. With facts at hand, Deserti is ready to give battle: "If there is a greater negative balance, it is all because of the oil bill, because the exports have been good. A few figures are enough to better explain myself: the quantity of our exports increased an average 9 percent, 2 points more than the international trade average, while the value increased 26 percent.

"Italian exports last year reached 60,000 billion, 23 percent of the gross national product. Among the industrialized countries, only England has a percentage comparable to ours. Analyzing the markets to which we have addressed ourselves, it is pointed out that 49.8 percent of Italian exports went to the EEC countries, 6.5 percent to the United States, 9.6 to countries under development, 10.5 to the OPEC area, and 3.6 percent to the CEMA."

[Question] The fact remains that Italian trade has failed in particular with respect to those markets where it was instead essential to increase our presence. This is the case with the OPEC countries.

[Answer] This is true. In spite of our efforts, the amount of exports to the OPEC has decreased in 2 years from 13 to 10.5 percent. The same is true for the CEMA: in the same period, there was a drop from 5.1 to 3.6 percent. But in general we cannot really complain. Some sectors actually "pulled away" extensively. This is the case with furniture, that jumped

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ahead 41 percent; with leather shoes (+40 percent); with textiles and clothing (+30 percent). The food industry also did very well (+41 percent): particularly bright was the wine sector that rose 57 percent. The exportation of the mechanical industry rose 20 percent, while the chemical division, still highly negative on the whole, was able to increase its own export 29 percent.

[Question] But 1980 began under an unlucky star. The first available data are particularly negative. It really seems that the day of reckoning is at hand.

[Answer] One must bear in mind," said Deserti, "that these months are the most difficult for the Italian economy, also because the beneficial effects of tourism, with its substantial contribution of money, have not yet been felt. Then there are some factors that weigh on our trade balance and, consequently, on payments. We must not forget that, in addition to the increase in the oil deficit, there has been a continuation of very great importations of raw materials and semi-finished goods to build up stocks for the transformation industry. As a matter of fact, the production absorbed by the domestic market above all continues to maintain itself at good levels: therefore this race for the purchase of raw materials must not be judged negatively. Moreover, the same phenomenon is being observed in other countries, like the Federal Republic of Germany and Switzerland. In particular, there is considerable buying up of raw materials that are utilized in the war industry, a clear symptom of the international tension that we are experiencing. But beyond these considerations, it is obvious that this is a difficult moment.

We all know that the entry of Italy into the EMS [European Monetary System] was a political act that would have required a series of accomplishments, such as greater control over public expenditure and over increases in the cost of labor. All of this did not occur, since Italy's rate of inflation is far greater than the average of our partners in the EEC and of the major competitors throughout the rest of the world. Our products continue to be less competitive; and some of our exporters, after considerably reducing their margins of profit, are beginning to diminish their foreign activity, in order not to risk seeing their accounts in the red.

[Question] Precisely because of these considerations the so-called "devaluation party" has recently gotten its second wind. But will the measure really be imposed?

[Answer] It is clear that the matter will come up during the autumn period, once the yield from tourism is over. I would not want to arrive at that moment with a devaluation considered by all to be a cure that is worse than the evil. Many, expecting that Italy will not succeed in controlling public expenditure, the cost of labor, and other domestic

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elements, believe devaluation to be inevitable. We must react to this facile way of thinking and convince ourselves that we must avoid such a measure.

[Question] Looking further ahead, what problems will we have to deal with?

[Answer] Our present strong points will end by being weak points because they are all the more subject to the competition of newly industrialized countries. This is the case with the textile, clothing, and shoe sectors. There is thus the risk that, in an intermediate period, Italy will have to take protectionist measures with respect to the emerging countries. To overcome this probable crisis, it is necessary instead to further diversify our exportations. We must also try to diminish our dependence on foreign countries whenever possible. This pertains above all to certain agricultural productions.

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COUNTRY SECTION

NORWAY

ECONOMY SHOWS SIGNS OF WEAKNESS AS WAGE TALKS START

Stockholm VECKANS AFFARER in Swedish 6 Mar 80 p 77

[Text] Uncertainty regarding the strength of the Norwegian economy has increased in recent months. Several indicators suggest a weakening:

-The traditional exports decreased in volume during the last half of last year.

-Industrial production decreased 4 percent (seasonally adjusted) between the 3rd and 4th quarters.

-The volume of retail sales remained quite stable during most of 1979 but in December dropped to the lowest level in 4 years.

Nevertheless, it is very possible that the decline in production is temporary. Orders actually increased strongly in the fall, and other economic indicators; for example, the Bank of Norway's diffusion index, point to a continued rise, even if at a lesser rate. But it is likely that Norwegian business conditions will worsen as fall approaches when the international economic growth is expected to decline.

The last time Norway faced a weakening in international business conditions, one gambled on a domestic policy of expansion. It provided a strong economic growth and lessened unemployment but also an inflation rate of almost 10 percent, lowered competitiveness and a world's record in the balance of trade deficit in 1977.

These imbalances have been largely overcome. Consumer prices increased last year by less than 5 percent, competitiveness has improved, and the export industries have recovered a part of the lost overseas' market. An active price and income policy is behind this, resulting among other things in a declining real income for households in 1978 and 1979. At the same time the large price increases in petroleum occurred, helping to turn about the trade balance so that there was a surplus for the first time since 1969.

There are in the 1980 government budget certain indications that once again this time one is betting on an economic policy of expansion. Such

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stimulation measures of the scope as occurred in 1974-75 are not, however, involved. The great uncertainty involves rather inflation and price developments in business. The long wage-price freeze ended at the turn of the year, and employees in the wage negotiations this spring will surely demand compensation for the decline in real wages in the last 2 years. The government and employers point to the fact that real disposable income increased 5 percent a year in the four previous years--a record among industrial countries.

Economic Policies. During 1980 the financial policy will be somewhat more expansive, and governmental outlays in the budget for the year will increase 13 percent. Thanks to petroleum, income is increasing even more rapidly, and the budget deficit, it is calculated, will decrease 2 billion Norwegian kr to 4.5 billion (hardly 4 billion Swedish kr). According to the government itself, price and cost risks suggest a more austere financial policy but that would lead to increased unemployment.

At the same time as one is trying by means of credit policies to make possible a continued growth in investment, the government is trying to get households to increase their savings. One means is a higher real interest--the bank discount rate is 9 percent while at the same time prices in the last 12 months have increased on 6.3 percent.

Inflation. With an average of 4.7 percent for the whole year, Norway had, together with Austria, the lowest inflation in OECD. But even Norway has felt the impact of rising prices for oil and petroleum products, and consumer prices in January increased a whole 1.4 percent. The average for all of 1980 will probably be around 7 percent.

The Labor Market. When economic policies became austere in 1977-1978, unemployment increased and last winter reached a figure of about 30,000. That is, however, only 2 percent of the labor force. Since then unemployment has decreased and today involves just over 20,000 persons, seasonally adjusted.

Foreign Trade. Our traditional exports increased last year by more than 10 percent in volume. For a second year in a row our export firms regained a couple of percent points in their share of the lost markets. The whole upward movement was in the first half of the year; during both the 3rd and 4th quarters the volume of exports decreased. This year it will be worse. OECD calculates that the traditional exports will increase only 1 percent, while the corresponding increase in the volume of imports will be 4 percent. But the balance of trade will, nevertheless, be positive thanks to the rapid increase in exports of petroleum and gas. According to OECD, the increase in value was 60 percent last year, and will be a further 80 percent this year.

Private Consumption. Thanks to a reduction in savings by households, the volume of private consumption increased by over 1 percent last year. The development this year depends upon the outcome of wage negotiations.

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But in as much as the increase in real wages will surely be very small, private consumption won't increase by more than 1 to 2 percent.

Investment. Investment decreased in most sectors last year mostly in the oil sector but also in industry. This year an increase in volume of 2 to 3 percent is contemplated. Industrial investment is expected to increase by no less than 20 percent, but that will only mean that last year's decline is offset.

Industry. Thanks to an improved competitive position internationally, industry has again expanded, and volume of production increased by 4-5 percent last year. On the assumption that the worsening situation just before the turn of the year was temporary, the increase will continue but only by 3-4 percent during 1980.

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COUNTRY SECTION

SPAIN

SANCHEZ-GIJON ON IBERIAN ROLE IN DEFENSE OF EUROPE

Madrid DEFENSA in Spanish No 22, Feb 80 pp 44-47

[Article by Antonio Sanchez-Gijon: "The Portuguese-Spanish Area of the Atlantic"]

[Text] The two Iberian countries, Portugal and Spain, are sharing a physical area which, from the viewpoint of geostrategy, is one unit but which, from the viewpoint of strategy "as such" is a mosaic in which more or less diverse systems and subsystems are coherently intertwined, thus linking this area with the area of the Atlantic Alliance and with the United States defensive scheme, but where the weakest link is the one that connects the two peninsular capitals, Lisbon and Madrid. The strongest link is outside the area of the two Iberian countries; that link is the United States which simultaneously has treaties of a military nature with Spain and Portugal. The primary purpose of the treaty with Spain is to strengthen NATO's southern flank, that is to say, it pertains especially to the Mediterranean; the treaty with Portugal is mostly intended to guarantee control of the inter-continental routes, that is to say, it is essentially an Atlantic treaty.

Through its treaty with Spain, the United States involves the peninsular platform and through its treaty with Portugal it involves the Azores Archipelago. These two Iberian countries however still retain broad strategic resources which are becoming increasingly active, thus enhancing the Atlantic character of the Iberian contribution to the defense of this common strategic area. I am talking here about the Madeira and Canary islands which today are somehow on standby status, waiting for the development of changes of a political and strategic type which are already taking shape. These changes essentially are

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as follows: (1) the appearance of Africa as a commercial area that exports raw material and as an expanding market for European finished products; (2) the establishment of a main energy supply line leading to Europe, around the Cape of Good Hope and the west coast of Africa; (3) the expansion of Soviet naval power, one of whose lines of movement is through the Strait of Gibraltar which the two peninsular nations command; (4) the conflict in the Maghreb which, among other things, is a conflict over Algeria's outlet to the sea and/or the limitation of Moroccan expansion along the Atlantic coast.

The two Iberian states are interested in making sure that the defensive function, performed by their Atlantic island groups, will not be detrimental to the political-strategic unity of the respective home countries with them. These two countries are interested in making it clear that a rupture in the political unity of either of them would have very far-reaching strategic consequences. This warning is not an empty one in the light of recent events, such as when the question of the loyalty of the people of the Azores to the government in Lisbon was questioned or when the legitimacy of Spanish and Portuguese sovereignty over the Canary Islands and the Madeira Islands, respectively, was placed in doubt. There is a common interest among both of these Iberian countries in putting together, in a scheme of mutual guarantees, the entire strategic assets which they share on the Iberian Peninsula and in the Atlantic.

This is a strategic asset with an essentially European-Atlantic slant. As a matter of fact, the strategic area shared by these two Iberian countries, on the peninsula, and in the Atlantic island groups, is characterised by the following features:

- (1) It is outside and relatively far from the theater of war in Central Europe; it is isolated from the plains and valleys that will serve as a penetration corridor in Western Europe.
- (2) It has a flanking relationship with the British Isles and the Italian Peninsula.
- (3) It has a beachhead relationship for access to the vital civilian and military resources which the Italian Peninsula, Greece, and Turkey need to keep going in case of a conflict in the Mediterranean.

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(4) It is an American foothold in Europe, because of its prominent position in a part of the Atlantic which is less exposed to the Soviet threat than the British Isles.

(5) It is located at the approaches to the European terminal of the Atlantic routes coming from Cape of Good Hope, the west coast of Africa, and South America.

(6) The considerable position of the Iberian Peninsula in the Mediterranean and the Azores, astride the routes leading to the Mediterranean, at the same time constitute a double Atlantic asset. Indeed, both of these positions are very important when it comes to exercising influence on the strategic movements in the Maghreb whose magnetic pole are the shores of the Atlantic. The Mediterranean dimension of the Iberian Peninsula in this sense appears to be secondary in relation to its Atlantic dimension.

NATO, the Crucial Topic

Once the strategic value of the area shared by the two Iberian countries has been established, we must take a look to see how and through whom this asset is utilized in practice. This brief glance will tell us that the strategic area, which we have been concerned with here, is heavily broken up. Let us take a look. Portugal belongs to NATO whereas Spain does not. The peninsula serves as a material base for the implementation of the strategic designs of friendly powers which however are alien to the area, that is to say, the United States with its bases in Spain and in the Azores, the West Germans in Beja, and the British in Gibraltar. These strategic facilities are a sign of our times, characterized by interdependence and cooperation necessitated by the ideological, political, and military confrontation of the two major systems. Almost all countries in Western Europe and those in Eastern Europe are to a certain extent obligated to fall in line with the strategy of the leading superpower and the other allies. But this follow-the-leader attitude does not amount to much in the absence of a specifically peninsular security scheme or system, promoted by the two peninsular nations.

The possibilities of strategic systematization must be viewed in terms of international political option. The question of Spain's belonging to NATO is crucial in this sense.

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Spain's not belonging to NATO does not prevent the existence of a certain margin of action for the systematization of Spanish and Portuguese strategic interests. On the Spanish side, the possibility for this systematization is to some extent expressed by the strategic considerations now being entertained within the combined Spanish-United States general staff regarding the so-called "zone of common interest" which, excluding the territory of third parties, includes almost the entire strategic area surrounding peninsular Portugal and the Madeira islands. The portion of the common interest zone located to the West of the Strait of Gibraltar covers a maritime area which includes approximately two-thirds of the sphere of responsibility of IBERLANT. The common ally of the two Iberian nations takes extreme care in not functioning as a swing-door between NATO and its defensive association with Spain, which is why it cannot be the catalyst for a Spanish-Portuguese approach to the preservation of shared strategic interests. Nevertheless, the considerations concerning the common interest zone will not fail to serve as stimulus and sustenance for strategic thinking on issues which are of equal concern to both nations and which in a more or less unequal fashion affect the relations of both Iberian nations with the Western defensive scheme.

Understanding Necessary

Without trying to draw up a complete list, it is a good idea to bring out some examples of situations which call for a common understanding between Spain and Portugal: (1) on the Iberian peninsula, the rights of overflight to and from the Beja base are in Spain's interest; the opposite is true in the case of the United States bases in Spain; (2) peninsular Portugal is guarding the northern shore of the passage leading to the Strait of Gibraltar; (3) the hypothetical allied beachhead along the Portuguese coast, to support the southern flank of NATO, has its hinterland in Spain and its natural outlet along Spain's Mediterranean coast; (4) in the oceanic area, the Azores, which are more than 1,000 miles away from the Strait, constitute a possible support base for the defense of the same, in case of a loss of valuable naval air facilities on Spanish soil; (5) the Madeira islands are closer than the Canary islands as far as the peninsula is concerned and therefore can receive or give each other mutual support in a more economical fashion than from the continent; (6) the Madeira and Canary islands hold a flanking position with respect to the African coast.

This last point deserves more detailed consideration. Among these two island groups, the bigger and the strategically more outstanding is made up of the Canary islands and this is so (1) because they are

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closer to the African coast, (2) because they are further south, less than 500 kilometers from the Tropic of Cancer, the southern boundary of NATO's sphere of military responsibility; and (3) because it has a more complete natural environment, with two good ports, two international airports, and major human resources. The Canary islands are also in a more delicate political situation. What is the importance of the Canary islands from the strategic viewpoint? We already mentioned their location astride the petroleum supply lines that run to Europe; then there is also their important role with regard to the European maritime and air routes to the Caribbean and South America; and they constitute a fundamental link in telephone and telegraph communications between Europe, Africa, and South America. From the viewpoint of the security of the lines of communications of all kinds, the importance of the islands is based on their value as a platform for protective air and naval forces, that is to say, for naval control. Their value is related to the technological quality and capacity of the armament systems based on them.

But there is another outstanding asset deriving from the location of the Canary islands and that was brought out by the conflicts in Africa. The Canary islands are located off a very labile strategic area. This is a narrow strip of the Sahara which divides Africa in two, which to the east opens in Eritrea and which in the west is closed off by the former Spanish Sahara and Mauritania. Eritrea and the Sahara, as we recall, are now the subject of serious confrontations between liberation movements and sovereign states. The Sahara area, from east to west, is a true air corridor, almost without control, suitable for the most intensive underground activities by powers in the area or outside of it. In this strip, which is about 2,000 kilometers wide, there is a real strategic vacuum, due to the fact that the countries occupying the area for the most part are weak and backward. That strip played a very important role in unleashing the Angolan crisis, with the arrival of Soviet support aircraft at the airport of Bamako. In other words, through this corridor, Soviet political and military power can be projected upon Atlantic waters.

There is no arguing about the national interest in keeping Spanish and Portuguese sovereignty over the Canary islands and the Madeira islands, intact, and that goes for their security and integrity also. Likewise clear is the interest in keeping the lines of communication of those island groups with the peninsula and among each other open; this is a specifically Spanish-Portuguese aspect of the security of those islands. But we must also consider the European interest in the maintenance of security of these two advanced positions pointing toward the South Atlantic. How can one differentiate that which is specifically Spanish or Portuguese or that which is Spanish-Portuguese from that which is specifically European? Looking at the

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security scheme involving the islands, up to what point can it be exclusively Spanish in the case of the Canary islands and Portuguese in the case of the Madeira islands or up to what point can there be a shared security system, perceived as a unit, organized in accordance with the same view of missions to be accomplished and set up according to the financial and military resources of these two countries? And here is a third question: up to what point can this scheme, shared between Spain and Portugal, be differentiated from or identified with a European and allied security scheme?

All of these questions can be answered by means of three statements:

- (1) Spain and Portugal must have (and in fact do have) a defensive scheme designed to protect their sovereignty over their respective island groups, whose central nucleus is made up of their national determination and their military resoluteness.
- (2) Spain and Portugal should improve the quality of their defensive commitment with respect to the island groups through military cooperation in the area of naval-air surveillance, information on traffic, combined exercises, and joint planning.
- (3) Assuming that Spain joins the Atlantic Alliance, the two countries should attempt to preserve the strategic unity which they share in the same area, within the organic structure of the Alliance, so long as this is beneficial to the security of both of them and so long as it serves to enhance the value of their strategic contribution.

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COUNTRY SECTION

SPAIN

ADM AREVALO PELLUZ CONFIRMS NAVY TO ACQUIRE NEW VESSELS

Madrid DEFENSA in Spanish No 22, Feb 80 p 73

[Text] In a conversation with the Spanish Chief of Naval Operations, Adm Luis Arevalo Pelluz, the latter confirmed to our correspondent Ramirez Gabarrus, the implementation of the naval program currently in progress which, in summary, amounts to the following: one aircraft carrier of 15,000 tons whose keel was laid down at the Bazan shipyards in El Ferrol, a few weeks ago; three missile-firing frigates of 3,500 tons of the "FFG" type, which will be started shortly in that same shipyard in Galicia; eight 1,400-ton corvettes, two of which are already in service ("Descubierta" and "Diana") and five more which have already been launched; this group will be built between Ferrol and Cartagena; four conventional submarines of the French "Agosta" type, with 1,200 tons on the surface and a submerged speed of 21 knots, now being built in Cartagena; ten ocean-going patrol craft, for surveillance and securing of the 200-mile territorial waters, now being built at the Bazan shipyards in San Fernando (Cadiz), as well as miscellaneous smaller naval support units.

Among all of these vessels, it is hoped that the aircraft carrier will be entering service around 1984. Right now, it has not yet been assigned a name (only the number "PA-11") since the name of "Almirante Carrero," which had been earmarked for it, has been held up. According to Adm Arevalo Pelluz, it is also hoped that, when this vessel has been finished, work can be started on a second unit; in the meantime it is possible that an agreement might be worked out with Australia to build another one for that navy. Much equipment has already been placed on order for the "FFG" missile-firing frigates, including the gas turbines.

The corvettes "Descubierta" and "Diana" are now on a journey around the South American continent which they began during the second half of January; this journey will last a couple of months and the main purpose is to promote the sale of this type of unit to the navies of Latin America; these units are completely Spanish-designed. The first of the new submarines ("S-71") will be launched in 1981. The first "PVM" patrol craft will also be operational by that date.

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With respect to boosting Spain's amphibious forces, the chief of naval operations told Mr Ramirez Gabarrus that it is hoped that two United States attack transports will now be received. They are the "Frances Marion" and the "Paul Revere" of the "LPA" class, with almost 17,000 tons fully loaded and a length overall of 170 meters, armed with eight 76-mm cannon and equipped with a huge platform aft for use by helicopters. They have landing units consisting of seven "LGM" launches and 16 "LCVP," each, and they are powered by a 22,000-hp steam turbine on a single shaft, reaching a speed of 22 knots.

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COUNTRY SECTION

SPAIN

BASQUE ECONOMIC DECLINE REPORTEDLY CONTINUING

Madrid CAMBIO 16 in Spanish 9 Mar 80 p 33

[Text] Vizcaya and Guipuzcoa are feeling the current economic crisis much more intensely than the rest of the Spanish provinces, according to the recent "Gross National Product for 1977" report of the Bank of Bilbao.

With a spectacular rise in unemployment, numerous enterprises bankrupt and the lack of investments, the Basque economy is undergoing one of the worst periods of its history. The alarm has already been raised by numerous Basque institutions. But the solution to the problems does not appear forthcoming, and all Basques are convinced that they will have to tighten their belts even more in the months ahead.

The spectacular development of the last two decades has been brought to a dead stop. The most affected industrial sectors--such as steel, shipbuilding or capital goods, which for 40 years have existed under the shelter of protectionism with privileged credits--are currently in near catastrophic situation. In turn, the world energy crisis has surprised the Basque region without any preparation to confront it.

According to economist Jesus Dorao, the tragedy of Vizcaya is that this province has attained the standard of living of European developed regions without possessing their qualifications. "At present," Dorao adds, "we cannot cope with such expensive labor. We must follow the example of Europe, where the steel industry is being readied by a planned reconversion."

Terrible Congestion

The lack of investment in capital goods, for example, has seriously affected the Basque region. For its part, the strongly interrelated heavy industry has brought about the collapse of numerous ancillary enterprises that up to now had depended on the giants.

On the other hand, while the Basque region has grown in spectacular fashion for 25 years, the costs of the buildup have been very harsh. The biggest concentration in Europe is found in Greater Bilbao (6,200 inhabitants per

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Km2 of usable area). Because of this terrible congestion, the experts of the Chamber of Commerce aver that the problem of the wards of Bilbao is one of the most difficult to solve in the world and that it serves to foster destabilization.

It is true that the extreme consumption of the final years of Francoism was based on the theory of unlimited growth. The former regime did not want to provide freedom, but rather consumption. However, at present the people seem to believe that freedom is going to afford them more consumption and thus provide them with the same standard of living as the Europeans. A mistaken notion in the view of the economists consulted by CAMBIO 16, who consider that "neither the Basque region nor the rest of Spain can afford those luxuries: We are a modest country and the people should be aware of that."

The misfortune is that no political leader dares voice it nor ventures to seriously propose the subject of equity and distribution, the experts assert--there is hypersensitivity regarding the matter.

Currently in the Basque community saving has died out, savings banks have dropped from 20 percent to 12 percent, nobody invests and a drying up of capital is taking place. A sort of merry consumers' bluff is being lived with bingo games and night clubs to forget and reject for a while the serious problem.

Possible Hopes

Nevertheless, there are possible ways of alleviating the crisis, even if on a long-term basis, within this bleak outlook. Thus, to Jesus Dorao, the Basque region needs social pacification, an awareness of what the Basques want and how far they want to go. "Here," the Bilbao economist says, "there is awareness of change without discouragement, and if panic does not spread, an adequate climate evidently can be created to promote reconversion. One must earnestly study what sectors could be reconverted into a specialty in order to be competitive. However, we must prevent a collapse of the traditional sectors, whose failure would be catastrophic. In turn we must create an added-value industry which does not require more labor and will permit a moderate emigration."

As to the subject of investment, experts judge that a thorough study is needed: "Many enterprises are quite salvable, but they must find the proper niches in the international market."

In this possible endeavor, all of those consulted agree that the cooperation between the central administration and the autonomous regional administration must be perfect, without bickerings or biases: "A list of priorities must be taken into account within the possible public investment. Even with economic agreements, the means will be inferior to the actual necessities. If the people entertain ambitions for the short term, and this is normal, they must also realize that there will be higher fiscal pressure and, therefore, they should be persuaded about that reality."

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Drop in Per-Capita Income

	<u>Pesetas</u>	<u>National Ranking</u>	
		<u>1975</u>	<u>Currently</u>
Vizcaya	271,688	1st	4th
Guipuzcoa	269,704	3d	5th
Alava	281,174	4th	2d
National average	215,253		

Source: Bank of Bilbao

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COUNTRY SECTION

SPAIN

BRIEFS

SUBMARINE EXERCISES--According to a report in the Madrid newspaper DIARIO 16, a submarine flotilla, for the first time in Spanish history, has passed through the Strait of Gibraltar, submerged, remaining under the water at a depth of about 200 meters for 8 days, until reaching the Canary Islands. The flotilla performed various maneuvers in waters around the Canary Islands and was made up of the "Cosme Garcia," the "Monturiol," and the "Narvel," which arrived at Las Palmas under the command of Capt Cebrian Cuquerella, with a crew of 225 men. [Text] [Madrid DEFENSA in Spanish No 22, Feb 80 p 72] 5058

PCE, PSOE ARMS POLICY--The attitude of the Communist Party of Spain and Spanish Socialist Worker Party, an attitude of opposition to any sale of arms to countries with disputed systems of government, "is seriously harming the Spanish working class, depriving it of numerous jobs," it was noted by labor union sources at the Bazan National Enterprise (shipbuilding). According to these sources, the position adopted by the biggest parties on the left frustrated two important contracts with South Africa (seven frigates) and with Chile (initially, one submarine), to be used in the navies of those countries. These contracts would have meant about 4,000 jobs over a period of 5 years and the possibility that Bazan might subcontract some of its jobs to other shipyards that were having trouble. According to the same sources, two perfectly democratic countries (France and Portugal) will handle those contracts and the communist and socialist parties in those countries did not make any trouble. In two editorials, DEFENSA touched on this subject which is so harmful to Spanish interests. This is something that can be blamed not only upon the left-wing parties and its labor unions but also on other, higher-level instances, among which one might mention as an example the "Oreja doctrine" (named after the Spanish foreign affairs minister) which governs arms exports. [Text] [Madrid DEFENSA in Spanish No 22, Feb 80 pp 72, 73] 5058

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MIRAGE 2000 TESTED--The three Mirage 2000 prototypes continue to undergo all kinds of tests at Istres, pertaining primarily to the increase in their mission capabilities using missiles and external loads. The Mirage 2000, for example, has demonstrated excellent flying capabilities with its Matra 550, Magic, and Super 530 air-to-air missiles, with which it can reach Mach 2 or 700 knots. The 01 aircraft will go through a cannon firing program at the Cazaux base, along with in-flight refueling tests. A Spanish mission was at Istres in recent weeks and tested the Mirage 2000 in flight. This mission was made up of two pilots and one engineer who had high words of praise about the qualities of this aircraft. [Text] [Madrid DEFENSA in Spanish No 22, Feb 80 p 73] 5058

APPOINTMENT IN AFRICA--The current subdirector general for Africa, Mariano Uriarte, has accepted the position of special advisor to Florencio Maye, the vice-president and foreign minister of Equatorial Guinea. Uriarte is an expert on Africa in the Spanish foreign ministry. His mission to Africa is the result of the agreements signed by the two governments regarding aid to the new Guinean republic. [Text] [Madrid CAMBIO 16 in Spanish 23 Mar 80 p 5]

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COUNTRY SECTION

SWEDEN

SHEYKH YAMANI: COUNTRY'S TECHNOLOGY HAS MUCH TO OFFER SAUDI ARABIA

Stockholm VECKANS AFFARER in Swedish 28 Feb 80 pp 56-57

[Article by Marie Norgren]

[Text] "We will treat Sweden kindly in the future, also. After all, you are a highly developed country technologically and have much of interest to offer us," Sheykh Ahmed Zaki Yamani tells VECKANS AFFARER. He warns that a catastrophe threatens Europe if Israel does not withdraw from the West Bank and the Golan Heights. He has definite ideas concerning the long-term energy supply: "It is irresponsible not to invest in nuclear power."

The 500 industrial and banking leaders who were gathered at the symposium for business leaders a few weeks ago in Davos were kept in suspense up until the last minute: they were unable to confirm that Sheykh Yamani, Saudi Arabia's oil minister and one of the key figures in the world political and economic arena, would show up in Davos--not even the day before his planned appearance.

That evening, the symposium's discussion leader Edward Heath directs the English Chamber Orchestra in a charity concert. A sudden sigh of relief goes through the hall as Sheykh Yamani makes his entrance a few minutes before the former British prime minister lifts his baton. The high point of the Davos conference has been saved! The participants can now devote their undivided attention to enjoying a perfect performance, including Schubert and Elgar, with Paul Badura-Skoda as soloist.

The reason Sheykh Ahmed Zaki Yamani was "in hiding" was that he became father to a little girl that afternoon. That is said to be his 11th child. The family lives in Geneva, so he did not have too far to travel to Davos afterward.

The west must understand that we do not sell our oil for money alone. We are not at all prepared to discuss oil prices with anyone outside OPEC--nor will other countries or companies that produce raw materials discuss their prices," says Sheykh Yamani.

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"What we want is something permanent in the form of technology in exchange for oil deliveries. In the future we will not sign long-term contracts unless technology of some kind is involved."

The tone is definite, low, almost threatening when the otherwise so mild and quiet sheykh addresses the industrial and financial establishment of Western Europe.

After his appearance, VECKANS AFFARER catches up with the powerful sheykh, who is much sought after by the mass media, as he comes out from a top secret lunch. The interview occurs on foot as we walk through the long corridors of the hotel where the conference is held. It has been partially supplemented by the answers Sheykh Yamani gave to written questions during a press conference.

Oil in exchange for technology--what do the small nations have to offer? "We will treat Sweden just as kindly in the future as we did in the agreement on deliveries that was signed with Svenskt Petroleum (see VECKANS AFFARER, No 7). These same conditions are also possible for Sweden in the future. You are, after all, a highly developed country technologically and have much of interest to offer us," says Yamani to VA's correspondent.

"Finland, too, has some technology of interest to us in Saudi Arabia," he points out further and reports that he has just been negotiating with representatives from Finland.

Austria's Chancellor Bruno Kreisky recently concluded a long-term agreement for delivery of 1.75 million tons of crude oil annually in exchange for a number of projects for Austrian companies. Included in the package is, for example, an electric steel mill with a yearly capacity of 800,000 tons.

The technological exchange referred to by Yamani also includes agricultural production that is not dependent on cultivation, but is adapted to the special desert conditions. Thus, for example, the West Germans have a large project underway in which they are building a number of chicken farms in Saudi Arabia.

"We will continue to be exporters of raw materials. But we do not want just to sell crude oil. We want rather to refine it at home and export the finished products. Oil and natural gas will lay the foundation for our industry. Building a petrochemical industry is one of our goals," says Sheykh Yamani.

Saudi Arabia's only change to get industrial development underway is to build its own refineries to refine part of the crude oil. The Japanese are already engaged in this construction--in exchange for long-term contracts for oil deliveries. From Sweden, for example, the Fortia and Astra drug companies are negotiating to develop a basic drug industry in the country.

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"We know our oil reserves are limited. The oil will run out within a few decades," Yamani says. "We are now producing more oil than we need for the country's economic requirements. The dollars we receive in payment go immediately into the international money market. Thus, the value of our assets drops almost immediately because of inflation."

Yamani's statement must be seen against the background of the fears in Western financial circles that Saudi Arabia, in particular, would stop its flow of capital into the international money market. This was then a somewhat soothing statement.

At the same time, however, Yamani points out the fact that it has become more profitable to let the oil yield interest in the ground than to invest the oil income in resources, the value of which is eroded. OPEC is also discussing the possibility of selling oil for a combination of currencies instead of dollars.

"We must decrease production and stop eroding our raw material resources in the Arab world."

One way to decrease the risk of a decrease in oil production is for Western governments and private businesses to offer investment projects that are more profitable in the long run than the profits from the expected price hikes.

"Therefore, the only way to insure continued oil deliveries," Yamani says, "is to see that the producing countries increase their economic base and obtain alternate sources of income to oil sales."

For this reason, Yamani has suggested that the dialog between the oil states in the Middle East and Europe should be intensified by establishing an international forum for cooperation between OPEC, OECD, and multinational companies. In this way, new technology could be funneled into the Arab world and Europe could be assured continued oil deliveries."

"Europe is so near the Middle East . . . In exchange for oil, Europe could offer the Arab countries security and closer ties between the two areas," says Yamani, fingering his beads.

Sheykh Yamani also says that a linear development of oil prices could be a goal to make long-term planning possible for the industrial countries. "Whoever gives technology to Saudi Arabia will then be able to conclude 10 to 15 year oil delivery agreements," Yamani says. However, Yamani is not at all optimistic about the chances for a common price policy on the part of the OPEC countries.

But at the same time, Saudi Arabia leaves no doubt about the fact that, for the Arab world, securing delivery agreements is linked to solving the Palestinian question. "We cannot accept the Camp David Agreement between Israel and Egypt. It does not represent the road to progress," he says.

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How will developments in the Israeli-Arab conflict affect oil supplies and oil prices in the future?

"Our position is perfectly clear. The Israeli-Arab conflict must be resolved in accordance with the United Nations resolutions for a total withdrawal of Israeli troops from occupied areas so that the legitimate claims of the Palestinian people can be satisfied, i.e. self-determination for this nation, which has now been living in tents for over 30 years. We do not believe that the solution now being drawn up on the Americans' initiative will lead to peace. It can only lead to a dead end. If we cannot settle this conflict, then I assure you that the whole world will pay dearly. The entire question of oil supply and demand will be set aside. There is the threat of a stoppage, even of a catastrophe. And Europe will be hit hardest of all, for you are almost 100 percent dependent on imported oil. As long as the Palestinian problem remains, you Europeans can never be secure."

Thus, Yamani does not hesitate to use oil as a weapon to secure by force technology and the industrialization of his country on the one hand and political goals such as a solution to the Israeli-Palestinian conflict on the other.

"It is up to the Western nations to reduce their energy consumption and adapt it to the price and supply level," says the oil minister, thereby shifting part of the burden to the consuming countries. "It is the industrial countries that drive up prices on the spot market. If someone pays \$40 per barrel today, as the United States paid Nigeria, then he has only himself to blame."

"You can decrease oil consumption in the West in three ways, all of which are equally important," Yamani continues. "First, lower your energy consumption. Secondly, increase the use of coal as a fuel and thirdly, develop nuclear power."

Thus, the great challenge for the eighties will be to reduce the dependence on imported oil. At present, 51 percent of Europe's total energy needs are covered by oil imports. The competitive power of other energy sources is primarily a question of price and oil prices are already so high that alternative sources of energy such as nuclear power have become profitable.

"Certain risks are involved with nuclear power, but there are risks with coal, too. If you give up nuclear power you will have great problems with your energy supply and difficult economic consequences. It is difficult for me to believe that you can afford this. It is irresponsible for smaller countries not to invest in nuclear power," Yamani says.

Yamani believes it is possible that larger amounts of the enormous oil capital, which will increase by \$120 million this year alone, will be invested in the stock markets of various countries. However, he does not see gold as a reasonable alternative, since it is not productive in any way.

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"So far, the American freeze on Iranian assets has not affected the investment strategy for the Arab world. But if the United States does not change its policy in the long run, the Arab states may have reason to display caution with their capital."

As a result of the Iranian crisis last year Saudi Arabia, Kuwait, and Iraq increased their oil production to prevent the West from being hit by a serious crisis. "But now we have no reserve capacity to draw on," Yamani concludes and he leaves the Davos symposium, surrounded by his bodyguards, just as quickly and quietly as he came. The 500 business leaders and bankers go their separate ways with Yamani's threats to the West riveted in their memory.

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COUNTRY SECTION

SWEDEN

FIRMS PLAN TO BUY INTO FOREIGN COAL MINES TO INSURE ENERGY SUPPLY

Stockholm VECKANS AFFARER in Swedish 28 Feb 80 pp 35, 37

[Article by Ake Landquist]

[Text] Swedish coal companies plan to buy into foreign coal mines to secure imports, which are expected to increase from 2.5 to 17.5 million tons in 10 years. But environmental regulations will determine whether or not imports can begin on a large scale. If the Environmental Protection Office has its demands approved, Sweden may be without coal.

In 1978 Hogenas AB mined 16,000 tons of coal. This Scanian coal is mined at the same time as Hogenas extracts clay for its famous ceramics. In 1979, when the price of crude oil rose by 80 percent, Hogenas mined 30,000 tons of coal. This doubling of domestic coal mining may be seen symbolically. Sweden is preparing a comeback for coal in the energy balance, regardless of the outcome in the referendum on nuclear power. A "no" to nuclear power will only mean a faster recovery for coal.

Perstorp purchases around 20,000 tons of coal annually from Hogenas. In addition, Perstorp buys 30,000 tons of Polish coal, imported by Billners Kolimport in Gothenburg, an old coal company which has been in business 60 years as of this year.

Perstorp is a pioneer in the Swedish coal renaissance and has used coal since October of last year. At that time, a boiler was converted from oil to coal. The investment was around 7 million kronor. State subsidies of 2 million kronor have been paid since the coal-burning boiler is a way to make Sweden less dependent on oil.

"We will also renovate an old boiler and burn coal in it to further decrease our need for oil. In the future we will use coal exclusively. Coal is presently the cheapest of all solid fuels," says Claes Sparre at Perstorp.

The interest in Perstorp's coal experiment is great. "All of Scania's industries have been here on study visits," Claes Sparre says. In Perstorp's fuel calculations, coal use has cut mobile expenditures in half.

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Billners Kolimport is one of the six or seven private Swedish coal importers that survived the oil era and remain in the branch and are responsible for around one third of today's coal imports, which are 2.1 million tons per year. Almost all of this import volume goes to the iron and steel industry and to the cement industry. Coal for steam generators accounts for 600,000 tons. It is this coal for steam production that will be used in the future as fuel in thermal power plants, in central hot water plants, and for industry's heating needs.

Billners is trying to interest its customers in forming a syndicate to purchase coal on long-term contracts from Australia and Canada. "The situation will loosen up soon, when industries have decided to convert to coal," says Lars Palsson at Billners.

But the private coal dealers see an ominous shadow over their business. It comes from LKAB Kol AB, which was formed at the beginning of the year. At that time, LKAB Kol bought the greater part of Dahllofs Bransle AB in Gothenburg. In this way, LKAB Kol obtained expertise in the field and a base organization. But LKAB Kol is counting on becoming the catalyst of large-scale coal imports to Sweden.

"Coal dealers are worried. No large and bureaucratic import apparatus is needed. It would be better to support us and develop the existing apparatus. We are afraid of a surreptitious socialization of the coal business," says Lars Palsson.

It is the tracks left by the state oil company Svenska Petroleum that frighten them. This company, too, was started by LKAB and it is now on the way to becoming Sweden's largest oil company next to OK.

All indications are that LKAB Kol will form a large coal syndicate together with Vattenfall, Sydkraft, Svenskt Stal AB, and the central Swedish communes' purchasing organization EFO (which has an oil company and will form a coal company this year). This syndicate could become a Svenskt Kol AB. The aim is to obtain long-term contracts for coal and to buy into coal mines abroad. Inquiries are presently being made with coal companies in Australia and Canada. The United States and Colombia are also coal countries of interest.

It costs 100 dollars and up per ton per year to buy into a mine. The normal quantity is 1 - 5 million tons per year. A suitable share is 10 to 15 percent. Thus, 10 percent in a mine with an annual production of 5 million tons would be 50 million kronor. "It is best to have several small shares," says Kurt Lekas, a board member at LKAB Kol and energy chief of the LKAB group.

Granges, too, has plans to invest in coal mines. Together with Bethlehem Steel (a partner in Lamco), Granges plans to buy into coal mines in the United States. The investment may total 100 million kronor.

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Sydkraft has concluded a preliminary ten-year contract with Coal and Allied in Sydney, Australia. "This covers 50 percent of our coal needs in Malmo plus options for considerably larger quantities," says Claes Bergstrand at Sydkraft.

The problem for Swedish coal dealers doing business abroad is that the Swedish market is so small. Until there are guarantees for a secure market, their foreign counterpart will be sceptical.

But the Swedish market is growing. The following applications have been presented to the Housing Department for approval (after the referendum):

a liquified coal power plant in Karlshamn" Installed power--600 MW(E), coal volume--1.3 million tons per year, (investment--around 2 billion kronor);

a thermal power plant in Gothenburg: 430 MW(E) plus 660 MW(Th), coal volume between 350,000 and 650,000 tons per year;

an expansion of Malmo Oresundsverken by 290 MW(E) and 490 MW(Th), coal volume--720,000 tons per year (an investment from Sydkraft of around one billion kronor; Sydkraft also owns 65 percent in Karlshamn);

a thermal power plant in Vasteras for 220 MW(E) plus 365 MW(Th), coal volume--450,000 tons per year;

a thermal power plant in Sodertalje for 50 MW(E) plus 100 MW(Th) or, alternatively, an expansion of the central hot water plant, coal volume--190,000 tons per year.

This means a total volume of 3 - 3.3 million tons per year. Further, Stockholm Commune has plans for coal facilities, depending on how plans go for central heating from Forsmark nuclear plant.

The use of coal for steam generators rose from 400,000 tons in 1978 to 600,000 tons in 1979. This figure will probably be doubled by 1983. According to LKAB Kol's estimates, the volume of coal for steam generators is expected to reach 4 million tons by 1985. The Oil Replacement Commission, as a basis for its study, has estimated that the maximum amount of coal that will be used for steam generators in 1990 is 17.5 million tons.

Of vital significance for the possibility of creating a Swedish coal market and thus favorable conditions for coal imports are environmental regulations. The so-called KMH-project (Coal-Environment-Health Project), being carried out by Vattenfall and other interested parties, will be important in determining the position of the state authorities. This project may be compared to the KBS-project for nuclear power.

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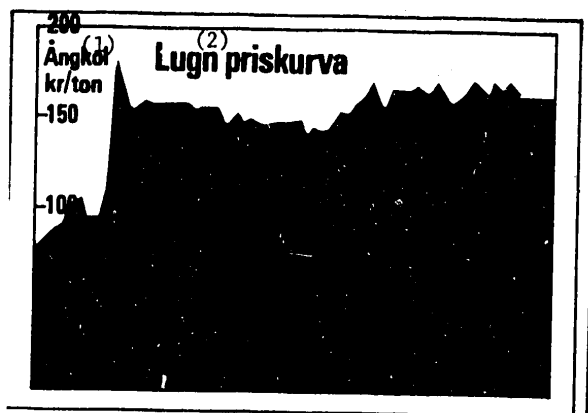
Another important study is Coal Supply 90, now being carried out by LKAB, Vattenfall, and Sydkraft. The report, which will soon be delivered to Energy Minister Carl Axel Petri, states that global coal use will at least double by the end of the century. International trade in coal for steam generators is expected to increase tenfold over the same period (it is presently 70 million tons per year).

The conclusions of the Coal 90 report are as follows: The possibilities of importing coal with a maximum sulfur content of 0.8 percent are good. Secure deliveries are also possible with a 0.6 percent limit.

The Environmental Protection Office requires a maximum sulfur content of 0.4 percent for thermal power plants. For liquified coal, a limit of 0.2 percent is indicated.

Coal 90 states: "A maximum permissible sulfur content of 0.4 percent drastically reduces the chances of supplying Sweden with coal. Only Australia, primarily New South Wales, can be considered. We cannot count on being supplied with coal with a sulfur content below 0.4 percent."

There is going to be an environmental battle over coal.



Key:

1. Steam coal kr/ton
2. Steady price curve

Unlike oil prices, coal prices have been steady. For example, the price of steam coal has been around 150 kr/ton since 1974.

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COUNTRY SECTION

SWEDEN

POWER AUTHORITY TO TEST FEASIBILITY OF 'MINI' HYDRO PLANTS

Stockholm VECKANS AFFARER in Swedish 6 Mar 80 pp 37, 39

[Text] There are in Sweden 934 mini powerplants, 400 of which are shut down. The first modern minipowerplant will be built this fall, and it will be followed by several others. But it is difficult, despite a 35 percent state subsidy, to make the mini powerplants economic.

The Road and Waterfalls Department will begin to construct its first mini powerplant this August. The 62-year-old power station Dylta in Narke will be leveled to provide space for modern buildings. The height of the dam's fall will be increased from 3.5 to 6.5 meters. The completed mini powerplant will produce 4 million kilowatt hours per year, adequate to supply the needs of 160 electrically-heated houses.

The power station on the Dylta River has been idle since the spring flood in 1977. Dylta is one of the just over 400 mini powerplants which today are shut down around Sweden. By "mini" is meant a powerplant with a capacity of 100-1500 KWh.

But despite sharply rising energy prices the reconstruction of Dylta is not any sure profit-making investment. The Road and Waterfalls Department will shortly put out tenders and anticipates that the total investment will be between 3 to 6 million kr. One also hopes to get a 35 percent grant from the state.

"Without state support, it won't work out," says Geer Forslund of Motala Powerplant, leader of the project. "According to the norms of the Society of Electricity Boards, the production of 4 million KWh provides earnings of 450,000 kr today."

Dylta is a pilot project for the Road and Waterfalls Department. In the private sector several mini powerplants have been restored and expanded. But even there enthusiasm is less than it was a few years ago. It is difficult to get mini power installations to be profitable.

Vast, an organ of cooperation for the private and municipal power industry, made a few years ago a study of Sweden's smaller powerplants. The inventory revealed that there were just over 400 shut-down and 534 operating

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plants. If the inoperative plants were used, they would together provide 1 TWh a year, or just over 1 percent of the country's total production of electricity.

"We were very enthusiastic in the initial stages," says Sten Lasu, chief engineer and coordinator at Vast. "We believed then that the shut-down mini powerplants could be built up over a 10 year period. Today we are less optimistic. It is difficult to find small powerplants which are profitable."

Vast's project lead to six prototype installations. They were built in cooperation with the turbine manufacturers, Nohab, owned by Bofors, and KMW, Karstads Mekaniska Werkstad. They helped in developing very simple propeller turbines. The state provided 50 percent of the financing for machinery and electrical equipment.

Both municipalities and companies (MoDoCell, Korsnas-Marma, Billerud and Sydkraft) participated in the project as customers. A few years ago an additional two mini powerplants were started at Sydkraft and Skelleftea powerplants as part of the same project. These have modified turbines, which, in contrast to the earlier ones, can be regulated.

After evaluating the results Vast has found that the costs for some of the installations are five times more expensive per KWh than for the cheapest installations. "Even with a 35 percent grant from the state, one cannot guarantee a profitability in expanding a mini powerplant," Sten Lasu says.

In order to get along without a governmental subsidy, the costs of a mini powerplant cannot be more than 2 kr per annual KWh (Production costs, capital, and interest). With a 35 percent state grant, one can go up to 1.50 per annual KWh. But it is realistic to reckon with an actual cost of 2 kr per annual KWh. Consequently, the majority of the present, newly-built mini powerplants are not profitable. On the other hand, the current investment can be interesting in 5-10 years, since one has the advantage of lower capital costs than in future investments.

The producers of mini power turbines are also pessimistic over developments:

"Interest in mini powerplants has clearly diminished after a short period of activity in connection with Vast's project," says Ivar Stark, chief of Norhab's mini power turbines. "Abroad there is a distinctly greater interest evident."

"We are clearly disappointed," says Hans Hansson, chief of KMW's turbine sales. "The entire Swedish market for hydroelectric equipment has shrunk. We have today only one inquiry from Sweden. The administrative process hinders not least the expansion of mini powerplants. We have several interests who are awaiting decisions from the Court of the Road and Waterfalls Department. Only then can there be a question of an order."

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The only enthusiasts are to be found among the smaller firms who have succeeded in worming their way in between Nohab and KMW, the dominant elements in the industry. One of these firms is Waplans Merkaniska Verstads AB, in the Ostersund area, owned by the holding company Convexa.

"At present we are working on five turbines, and we are counting on several more orders," Managing Director Johnny Broman says.

Even if water power is one of the few renewable sources of energy we have in Sweden, an expansion of mini powerplants is in many cases not profitable today. In order for interest in mini powerplants to be really stimulated, a 20-30 percent rise in the price of electricity is needed (or a no to nuclear energy in the plebescite).

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